

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2040

2007 SENATE JUDICIARY

SB 2040

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2040**

Senate Judiciary Committee

Check here for Conference Committee

Hearing Date: January 9, 2007

Recorder Job Number: 801

Committee Clerk Signature

Mona L. Solberg

Minutes: Relating to facilitating and assisting deceptive acts or practices.

Senator David Nething, Chairman called the Judiciary committee to order. All Senators were present. The hearing opened with the following testimony:

Testimony In Support of Bill:

Vonette Richter – Legislative Council Interim Committee (meter (:15) Reviewed the bill.

Handed out Final Report – Att. # 1 Page 5, Second paragraph. Knowingly in civil context.

Attorney General Wayne Stenehjem – (meter 4:04) Introduced in support of the bill. Most contacts you will have with my office will be through your constituents with a problem they have had by being taken advantage of either by internet and its ready availability to the transfer of data. Handed out new brochure produced from their office – Att. #2. This bill has to do with the “third” party payment of some of these scams.

Perrell Grossman, Dir. Consumer Protection & Antitrust Div. Office of Attorney General (meter 5:57) Gave Testimony – Att #3a Submitted and amendment – Att. #3b

Marilyn Foss, General Council for the ND Bankers Assoc. Stated that they have had concerns with ND law not matching Federal Law in the Federal National Telemarketing Statute. We also are in agreement to this bill and the additional amendment.

Testimony in Opposition of the Bill:

None

Testimony Neutral to the Bill:

None

Senator David Nething, Chairman closed the hearing.

Sen. Lyson made the motion to DO PASS Amend-Att. #3b, **Sen. Nelson** seconded the motion. All members were in favor and motion passé.

Sen. Lyson made the motion to DO PASS SB 2040 as amended and **Sen. Nelson** seconded the motion. All members were in favor and the motion passes.

Carrier: **Sen. Olafson**

Senator David Nething, Chairman closed the hearing

AH # 3b
1-9-07

PROPOSED AMENDMENTS TO SENATE BILL NO. 2040
SENATE JUDICIARY COMMITTEE
DAVE NETHING, CHAIRMAN
JANUARY 9, 2007

PRESENTED BY
PARRELL D. GROSSMAN, DIRECTOR
CONSUMER PROTECTION & ANTITRUST DIVISION
OFFICE OF ATTORNEY GENERAL

Page 1, line 8, replace "should know" with "consciously avoids knowing"

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2040: Judiciary Committee (Sen. Nething, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2040 was placed on the Sixth order on the calendar.

Page 1, line 8, replace "should know" with "consciously avoids knowing"

Renumber accordingly

2007 HOUSE JUDICIARY

SB 2040

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2040

House Judiciary Committee

Check here for Conference Committee

Hearing Date: 2/21/07

Recorder Job Number: 3538, 3546

Committee Clerk Signature

W Penrose

Minutes:

Chairman DeKrey: We will open the hearing on SB 2040.

Wayne Stenehjem, Attorney General: Explained the bill. This bill was actually the product of an interim study, and eight of you were on that interim committee and passed this measure out unanimously. I want to tell you that as things are progressing, this bill has not achieved a whole lot of attention up until now, but is probably the most important consumer and business protection measure that this legislature will be looking at. It deals with an increasing problem that we're seeing in the area of trying to deal with consumer fraud. What we are seeing with consumer fraud, whether by email, telemarketing, or by regular US postal service, is the situation where fraudsters are segmenting their operations, where you will have somebody who is doing the telemarketing, or sending out the fraudulent letters and then the payments don't go to the person perpetrating the fraud, not the person who sent the email, not the person who is making the calls, but to a third party processor, the checks go to somebody else. Frequently, the actual perpetrators aren't even in the US. They are in the Bahamas, Britain, Nigeria and efforts by my office to go after these international operations turns out to be just about impossible. But when you make a payment to many of these operations, the payments don't go directly to the perpetrators of the fraud; they use these third party

processors. The checks go to a segmented operation. Frequently, located here in the United States, who are part and parcel, who are involved or arguably involved with the actual fraud? The problem is that we go after these, under the current law, these third party processors, they typically will say we had no idea that this was going on, when somebody had sent out of a mail saying you had won the Spanish lottery. We are simply the operation that accepts the checks and then we send the money on to Madrid, Spain or to whoever is perpetrating the fraud. This is, of course, totally unacceptable and the only way that we can, in my opinion, perhaps be able to obtain some restitution for people who are victims of these crimes is through the enactment of legislation like you see in SB 2040, which permits my office to go after individual's who are actively assisting, aiding, and abetting in the perpetration of the fraud, if we can show that the third party processor, or the person who was aiding and abetting, knew or consciously avoided knowing that there was a fraud being perpetrated. That term, consciously avoid knowing, is something that was the subject of great discussion with our friends in the ND Bankers Association. The bill as it came in; provided that you simply had to prove that they either knew or should have known. That was a difficult standard for the banks. I understand why they took that position. They preferred to use the term that the person provided assistance or support, and knows or consciously avoids knowing. That is a term of art that was specifically adopted because there is considerable case law regarding the interpretation of that term. It's used in the federal Fair Credit Reporting Act; it's used in the Federal Telephone Sales Solicitation Act. It is a term that is used in the criminal law, so there is ample reason and case law that will elucidate exactly what that term means. The banks were concerned and I think appropriately so, because banks typically will process billions of checks or billions and billions of credit card transactions, and unless they are specifically made aware that there is a problem, they want to avoid any problem under this statute. So we made

that amendment and in exchange for that, they have agreed to support the bill, and they do support the bill, and frankly they should. Part of the problem, to be fair, the banks are very often the victims. They are the ones left holding the bag for the actual cash when the product that was delivered isn't what was promised. You can notify your bank or credit card company and you won't have to pay for it, when you indicate that you have a dispute with them. I think the banks will be well satisfied with this provision in the bill as well. The bill will say that "It is a deceptive act or practice in violation of this chapter for any person to provide assistance or support to any person engaged in any act or practice in violation of this chapter when the person providing assistance or support knows or consciously avoids knowing that the other person is engaged in an act or practice in violation of this chapter.

Rep. Delmore: Will this bill help us catch the middle guy and lead us to the big guy.

Obviously you said we have had bills in other sessions that tried to address the issue. Can we use this as a tool so we can get the bad actors?

Wayne Stenehjem: It may not be able to help us get the big guy, because we often know who the big guy is, but the problem is that they are off shore. But going after them, requires international activity which is far beyond the ability of the staff, as efficient as they are in my office to go after them. But if we can find some of these operations who are here in the US, then we can perhaps stop the activity, use this statute and maybe go after them and get some restitution to get some of the money back. We can always issue cease and desist orders to prohibit further solicitation and we do that. But then what we find is that we have a lot of citizens in ND, who've already lost the money, and it's gone to one of these third party processors and then off to a foreign country and we're limited in what we can do. This bill will at least give us a tool to attempt to obtain some restitution. Once we show, we have to go into

court and show that the person knew or consciously avoided knowing, which is not all that easy. But at least it will give us a tool that we need.

Rep. Delmore: Are you aware of anything that they are looking at on the federal level; you've said that this isn't anything that ND can go over and solve. It certainly is affecting people in the state.

Wayne Stenehjem: My counterparts and I have come up with things all the time on these kinds of consumer fraud issues. We worked on a case at the national level, YP.com, yellow pages online. That was a group that sent out letters to ND citizens and they send them out by the hundreds of thousands, along with it came a check and that check was for \$3.50. When you turned the check over for deposit, in the fine print it stated that when you endorse this check, you are agreeing to have your business listed in an internet yellow page directory at a cost of \$29.99/month and we had a lot of complaints. We had hundreds of complaints from ND businesses and churches, who said they got checks by the stacks and the stamp them, and deposit them. We were seeing ND businesses becoming a victim of this fraud, and then in the national action that we took, we went after one of the third party processors, and I think we got about \$2 million dollars from them, nationwide, not just in ND. But we went after that third party billing company, as well as the YP.com. This bill probably won't help us too much going after the international operators, but it will give us a tool to try to find somebody here in the US who is taking that money, claims they are ignorant about what is going on, and then keeps their share of the money and sends the rest on to these fraudulent operators.

Rep. Koppelman: Are there any long standing legal standards, is that covered.

Wayne Stenehjem: It would make it easier for my office, but I think that it's fair to put in the standard that you have in the amended bill. Because banks, with all sincerity need to be careful. They are not people who's the bulk of their revenue is coming from these fraudulent

operators, if something happened, it might be a minor problem. Then typically if we call the bank and tell them, or a credit card company with this operator, they are happy to work with us. We don't want to catch them in the net that we want to go after the people who are actually fraudulently operating.

Rep. Koppelman: I understand that, and I'm not suggesting that they should be ensnared by this either. I'm just wondering if there might be a standard, it seems to me that some of the bad guys are still going to fall between the cracks with this. Is there a way to hold harmless the folks like banks that are merely facilitating the pass through funds, but still make sure you get these folks, because it seems to me that you have to prove that they consciously avoid knowing? That might be harder to prove than that they knew it.

Wayne Stenehjem: I appreciate your question. I think the bill with the amendment in it will serve the purposes that we have. In fairness, I think this is something that makes the comfort level of our friends in the banking industry much higher and this is something we're happy to live with.

Rep. Klemin: If you were prosecuting someone who is assisting in this crime, you've got a jury who is looking at the evidence; they are smart enough to know.

Wayne Stenehjem: This is not a criminal statute; this is a civil action under the Consumer Protection chapter of our statutes. But you are absolutely right, we have to present information to the court, jury, or to the judge and the judge will give jury instructions to the jury as you know, and one of those will be the definition of what consciously avoid knowing means. That's something that has to be proved by my office. I mentioned that this was a bill somewhat under the radar screen before today, since then I have learned that there is some concern from the ND Chamber of Commerce and I think some tobacco companies, that this bill is too far ranging to the extent that it permits a private cause of action. This does not just provide authority for

my office to proceed against people under this chapter. Any individual with their lawyer would be authorized to do that. These groups that I mentioned prefer an amendment to the bill that would prohibit a private cause of action under this chapter; and provide that only my office would be authorized to use the tool that is provided in this statute. That's fine with me. I think as a practical matter it is likely that only the attorney general and the staff that we have is going to be able to prosecute one of these actions. But they will have an amendment that is before you, if you choose as a matter of policy to accept it, that is fine with me. I do know that if that amendment passes, they will support the bill. As a practical matter, probably only my office is going to have the resources and the expertise to prosecute one of these. If you choose to adopt the amendment, I don't have any objection to it.

Rep. Klemin: Regardless of this type, wouldn't someone have a civil claim against someone who is knowingly involved in this.

Wayne Stenehjem: You could be absolutely right, under traditional agency legal phase, that's entirely possible.

Rep. Klemin: And if you say there's no private cause of action under this, is that going to eliminate this other kind of action under this.

Wayne Stenehjem: I don't know if that is the intent. My suggestion is that you might want to ask those people.

Chairman DeKrey: Thank you. Further testimony in support.

Vonette Richter, LC staff: I am neutral and am here to present the final report from the Judicial Process Committee, which I staffed during the Interim. Someone had asked what the penalty would be; it would be a civil penalty of not more than \$5,000 for each violation of the chapter. That penalty would apply to this section.

Rep. Meyer: How does this apply to eBay situation, where you order a product and it comes in and it's not representative of what they thought that they had purchased? Under this section, if we put this in, would they be liable.

Vonette Richter: The way I understand how eBay works, it is a contract between the bidder and the seller. You may have some claim against the seller, I don't believe that eBay handles the funds, they do it through PayPal.

Chairman DeKrey: Thank you. Further testimony in support.

Parrell Grossman, Consumer Fraud Division, AG's office: (see attached testimony and two exhibits).

Rep. Klemin: There is another section in this chapter that we would be adding, 51-15-09, on claims not barred. I am going to read it just to make sure that we're not taking away the right under this section by putting this amendment in (read the section).

Parrell Grossman: I am aware of that statute, and I believe in this case, that the statute will continue to apply to everything else that is included under 51-15. However, it would be my opinion that this specific statute which creates in effect, a new cause of action in this section, would not permit a private cause of action. But it would be the AG's clear intention, that eliminating a private cause of action for an act of facilitation and assistance, would not in any way affect an individual's private cause of action for any other consumer fraud claim that is brought under chapter 51-15, including 51-15-09.

Rep. Klemin: Well we have, under your typical civil claims, if someone is jointly participating in someone else's fraud, would they be facilitating or assisting, or are they a joint participant.

Parrell Grossman: I think that would depend on the circumstances. I think there has always been a potential claim for an individuals that are involved in the fraud to allege that those individuals are part of the fraud. I think this statute makes it more clear, and I don't really think

it is possible for me to necessarily distinguish between the two, except to say that this creates a new cause of action for doing what the court concludes is facilitating and assisting. Yes, that may already be occurring in some regard and that's exactly the reason that the AG approached the PA third party payment processor and said we think you are involved in this, because you are aware of what's occurring and if you don't make these refunds, it would be out intent to initiate a cause of action alleging that you are responsible for that conduct.

Rep. Klemin: My only concern with this amendment, it could be argued that it takes away an important right that a consumer has now under another section.

Rep. Griffin: I heard you say that there is a \$5,000 cap for actions under this section. If we didn't adopt this amendment would that \$5,000 cap apply?

Parrell Grossman: That \$5,000 cap is really a cap for an individual sale, for an individual transaction. The court can impose up to \$5,000 as the maximum penalty for a fraudulent act or transaction. I believe there is sufficient case law that would say multiple sales, multiple advertisements, and multiple occurrences, may be construed as separate acts. So it isn't necessarily a cap to say that the maximum amount that the AG could recover for someone facilitating and assisting would be \$5,000. I think the argument would be that it might be \$5,000 per transaction, so if you were a third party payment processor and you withdrew 50 payments from ND consumers that could be considered by the court as 50 separate violations all subject to that maximum of civil penalties up to \$5,000.

Rep. Klemin: I contacted you recently on behalf of a client that held funds from what appeared to be a prime bank scam.

Parrell Grossman: I clearly recall that.

Rep. Klemin: Just for the committee, without going into a lot of detail, there was a chiropractor/lawyer set up an account at a bank in Minneapolis and was soliciting funds to help

pay for bank fees at the Bank of Panama. It sounded like it was going to be a loan from the Bank of Panama but it was actually not through the Bank of Panama, but a bank in England, and this particular transaction was going through a bank located in Pakistan and the company that had set up the account at a bank in Indianapolis, was a Canadian company owned by a person located in Mexico. There were actually people in ND that sent money in and hoped to get back more than they paid in the way it was structured. That person who was doing that, the person who was interacting through that chiropractor who had a law degree in MN, would he be considered as facilitating and assisting under this section.

Parrell Grossman: I think a good argument could be made that the ND individual was facilitating and assisting and in violation of statute, as long as he met that standard of knows or consciously avoids knowing. I think in this circumstance, during our investigation, we contacted that individual located in a small ND community, and explained what was going on, it became obvious to us that he knew what was going on. We weren't sure that he was trying to steal the money from the good people in ND, but he clearly knew this was quite a convoluted scheme and had a high probability of causing ND individuals to lose money.

Rep. Klemin: In that scenario, there is no way that the AG's office would be able to trace the individuals in Mexico or the Bank in Panama or bank in Pakistan. They were really operating through these others that were receiving the money. Those kinds of people would be called third party processors.

Parrell Grossman: I think that could be one view if the AG chose to take that view in those particular circumstances. However, I'm not sure that I agree that there isn't any way we could go after those. We work closely with the US Postal Inspector, with the Dept. of Justice, so in many instances, including in these government grant scams, the federal authorities working jointly with the states have prosecuted these individuals and obtained some recovery. I think

in your particular circumstance, yes, I would imagine that this statute could be applied. Now if that individual doesn't have the money, the AG isn't going to be able to recover those proceeds for 8 or 10 ND consumers who invested thousands of dollars. But it gives the AG some ability to stop that individual, issue a cease and desist, or bring an action for injunctive relief and at least attempt to obtain penalties if necessary.

Rep. Klemin: If someone gets somebody else to assist and they are told you don't know, and we don't want you to know, is that consciously avoiding.

Parrell Grossman: I think that could be construed as consciously avoiding, when they say they don't want to know. I think in many instances, that really is what occurs. In my testimony there is a paragraph devoted to an individual in the US, who sets up call centers over in India, and we've investigated three grant scams that were all traced back to her. She arranged the telephone lines for all these companies in all three instances. We were working with her attorney, who was a former federal trade commission lawyer, now in CO defending her. Yet she continues to say, despite that we provided her with overwhelming evidence, that what her clients are doing is fraudulent, she continues to act as a matchmaker and line those fraudulent telemarketers up with telephone service here in the US. We've contacted her, attempted to get her cooperation, we haven't done so. She clearly could be a target under this particular statute.

Rep. Koppelman: With respect to the amendment, I understand why legitimate businesses in the ND want to be assured that they aren't ensnared unintentionally by this and get into trouble when they are acting in good faith in the normal course of business. I am wondering, if we continue to amend the bill, talks about not allowing a private right of action. I can envision circumstances where an AG several years from now, might say, well this isn't worth pursuing, or I don't think it has a good potential outcome and I'm not going to devote the resources of my

office to this or that. But you still have an individual out there who's been defrauded. Do we really want to close off the potential for that individual to hire an attorney to go after this. Even if the AG decides, for whatever reason, not to pursue it. Is there a huge unintended consequence to this kind of amendment that could hurt people. Is there another way to keep the honest businesses in ND from being wrongfully ensnared and at the same time protect the rights of the consumer.

Parrell Grossman: That's an interesting point. I don't think the AG intends to substitute our judgment. We're offering the amendment. I think there are always circumstances in which you could foreclose some private individual from bringing a cause of action. More often than not, it is suggested to our office, that the authority should be limited to the AG's office to avoid those kinds of nuisance suits from some consumers. You are correct, you may foreclose some individual. In my experiences, that has rarely ever happened because consumers just simply don't have the resources in most cases to pursue these kinds of claims, to get involved in the investigations as AG Stenehjem indicated. We would never discourage consumers from seeking the services of private attorneys and we often advise them to do that. In many instances they come back and say, we can't afford to bring this action and this is why we need your help. Yet, I would say on the other side of the coin, that there are consumers with unreasonable expectations who will believe that someone facilitated and assisted that crime and now will say that the AG's office should be responsible, and it's always been nice to say if you think you have a good case, you can certainly pursue that case. I don't have an absolute correct answer. That's really up to this committee to decide. We took a look at it, it's one way to assure businesses that this particular authority will be used most judiciously.

Rep. Koppelman: In this case, you'd have to say, we don't think you've got a good case. Normally we would advise you to pursue it privately, but the law says we can't.

Parrell Grossman: You are correct. That could be an outcome in this particular case. You know the difficulty is really in trying to find something that you referred to that will take care of those legitimate interests. I think under the circumstances there is a meeting of the minds that this is probably the best we can do and I don't think the AG intends to suggest that the judicial process interim committee was not on the right track. I think they are. It just comes down to can we accommodate those particular concerns, and that amendment is one way of doing that.

Chairman DeKrey: Thank you. Further testimony in support.

Marilyn Foss, ND Bankers Association: We are in support of this bill as it was amended with the wording of consciously avoid knowing. This term is used in other statutes, and does have a body of case law. Our members understand its requirements and obligations. We have no opinion on the private right of action amendment.

Rep. Delmore: Banks aren't always scandal free. Are you aware of any bank officials that have been involved on a national level where they have been willing participants.

Marilyn Foss: Actually, it's not something I've focused on, no, I'm not. Which isn't to say that there aren't people out there. I am not aware of anything that I can recall.

Chairman DeKrey: Thank you. Further testimony in support.

Wade Mann, ND Chamber of Commerce: We support the bill with the proposed amendments offered by the AG's office.

Rep. Delmore: What exactly are your fears that someone is going to go after in this way. I guess I don't really see somebody necessarily beside the AG actually doing that. What's your fear, what do you think someone is going to go after.

Wade Mann: The concern is that this would open up small businesses to potential frivolous lawsuits. If somebody gets defrauded or ripped off by one of these companies, a lot of them are international and overseas. If somebody goes and represents an attorney, it's pretty

apparent that the small business who wasn't in any way involved, that's local, is going to be named every time just because it is easier to get jurisdiction. They are probably going to have money, whereas the actual bad actor isn't going to. With the amendment, the small businesses will be protected, as well as the individuals. If there are bad actors out there, the AG is going to go after them and shut them down. At the same time, there are remedies in 51-15 that can make them whole. I guess it's the best of both worlds. It protects the small businesses from frivolous lawsuits, at the same time protecting the individuals.

Rep. Delmore: When you are looking at small businesses, are you talking cable companies, phone companies.

Wade Mann: Mr. Grossman, mentioned not only banks but there's also ISP's, phone companies, anybody who could be considered to be involved in any manner, they could go ahead and list them on the lawsuit, and that person is going to go out and hire an attorney, go through discovery, pay potentially thousands of dollars, when, if they are a bad actor, the AG could do the same thing and these good and honest businesses would cooperate with the AG's office, spend considerably less and we'd have the same effect.

Chairman DeKrey: Thank you. Further testimony in support of SB 2040. Testimony in opposition. We will close the hearing.

(Reopened later in the same session)

Chairman DeKrey: What are the committee's wishes in regard to SB 2040.

Rep. Klemin: I guess I have a concern about the way the amendment reads right now. We do have this other section in the statute which talks about other parties. If we limited that so we don't authorize a private right of action for a civil penalty, which is part of this chapter. That may clarify it so that's not a conflict with that other section. We don't want to have it say you

have a private right of action and then in this section say you don't have a private right of action.

Rep. Koppelman: Just a comment, after hearing the testimony of the ND Chamber of Commerce, I think their concern is avoiding frivolous lawsuits, and I understand that and am sympathetic to that. In trying to deal with your issue, because you make a good point. Is there a way to craft the amendment so that it makes clear that provision except for whatever section this becomes, and maybe that has to be added to that section, along if we adopt this amendment.

Chairman DeKrey: Let's let Rep. Klemin work on an amendment and run it passed the AG and work on it later.

Rep. Meyer: Along those same lines, how many frivolous lawsuits are you going to have, when you're recoverable amount is \$5,000. I just don't believe that there will be a huge amount of frivolous lawsuits going on, and I think you can see that in ND. If that's their concern, you totally take away your private cause of action in this, I just don't see that.

Rep. Koppelman: I agree with your point. But though, I think they are talking about frivolous lawsuits the way it was explained, it wasn't so much that someone would just up and sue a ND entity for the fun of it. It was more so that they would name everybody on the face of the earth and if a transaction was processed through ABC local bank, they would be named in the action. It's not so much that there isn't accountability, but it's the fact that they are going to have to hire an attorney and spend the money to defend it, I think that's what they testimony was.

Rep. Griffin: One thing with the frivolous lawsuits, the courts do have authority to handle these already. They can award costs, they can award attorneys fees, and their claim can be dismissed. The court has the authority to handle them.

Rep. Klemin: With all due respect to Rep. Griffin's statement, it is very rare that happens. I had a bill in a couple of sessions back, trying to clarify that, but it wasn't adopted. The standard right now for the court to award fees for frivolous lawsuit is so high, that it has very little hope of being awarded.

Chairman DeKrey: We will take this up later.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2040

House Judiciary Committee

Check here for Conference Committee

Hearing Date: 2/26/07

Recorder Job Number: 3867

Committee Clerk Signature

D. Penrose

Minutes:

Chairman DeKrey: We will take a look at SB 2040.

Rep. Klemin: Explained the amendment. I move the amendment.

Rep. Delmore: Second.

Chairman DeKrey: Voice vote. Motion carried. What are the committee's wishes in regard to SB 2040.

Rep. Klemin: I move a Do Pass as amended.

Rep. Delmore: Second.

11 YES 0 NO 3 ABSENT

DO PASS AS AMENDED

CARRIER: Rep. Dahl

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2040

House Judiciary Committee

Check here for Conference Committee

Hearing Date: 3/5/07

Recorder Job Number: 4366

Committee Clerk Signature

D. Penrose

Minutes:

Chairman DeKrey: We will take a look at SB 2040.

Rep. Delmore: I move that we reconsider our actions.

Rep. Meyer: Second.

Chairman DeKrey: Voice vote. Motion carried.

Rep. Dahl: Explained amendment, moved that amendment.

Rep. Klemin: Second.

Chairman DeKrey: Voice vote. Motion carried. We now have the bill before us as amended.

What are the committee's wishes in regard to SB 2040.

Rep. Dahl: I move a Do Pass as amended.

Rep. Koppelman: Second.

14 YES 0 NO 0 ABSENT

DO PASS AS AMENDED

CARRIER: Rep. Dahl

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2040
HOUSE JUDICIARY COMMITTEE
DUANE L. DEKREY, CHAIRMAN
FEBRUARY 21, 2007

PRESENTED BY
PARRELL D. GROSSMAN, DIRECTOR
CONSUMER PROTECTION & ANTITRUST DIVISION
OFFICE OF ATTORNEY GENERAL

Page 1, line 10, after the period insert "This section does not authorize a private right of action and may be enforced only by the attorney general."

Renumber accordingly

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**House Amendments to Engrossed SB 2040 (70175.0301) - Judiciary Committee
02/23/2007**

Page 1, line 2, after "practices" insert "; and to declare an emergency"

Page 1, line 10, after the underscored period insert "Except as provided in section 51-15-09,
this section does not authorize a private claim for relief and may be enforced only by the
attorney general.

SECTION 2. EMERGENCY. This Act is declared to be an emergency
measure."

Renumber accordingly

Date: 2/26/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2040

House JUDICIARY Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Rep. Klemin Seconded By Rep. Delmore

Representatives	Yes	No	Representatives	Yes	No
Chairman DeKrey	✓		Rep. Delmore	✓	
Rep. Klemin	✓		Rep. Griffin	✓	
Rep. Boehning			Rep. Meyer	✓	
Rep. Charging	✓		Rep. Onstad		
Rep. Dahl	✓		Rep. Wolf	✓	
Rep. Heller	✓				
Rep. Kingsbury	✓				
Rep. Koppelman					
Rep. Kretschmar	✓				

Total (Yes) 11 No 0

Absent 3

Floor Assignment Rep. Dahl

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2040, as engrossed: Judiciary Committee (Rep. DeKrey, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2040 was placed on the Sixth order on the calendar.

Page 1, line 2, after "practices" insert "; and to declare an emergency"

Page 1, line 10, after the underscored period insert "Except as provided in section 51-15-09, this section does not authorize a private claim for relief and may be enforced only by the attorney general."

SECTION 2. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

House Amendments to Engrossed SB 2040 (70175.0303) - Judiciary Committee
03/06/2007

In lieu of the amendments adopted by the House as printed on page 801 of the House Journal, Engrossed Senate Bill No. 2040 is amended as follows:

Page 1, line 2, after "practices" insert "; to amend and reenact section 51-15-09 of the North Dakota Century Code, relating to barred claims for relief; and to declare an emergency"

Page 1, line 10, after the underscored period insert "This section does not authorize a private claim for relief for a violation of this section and no entity other than the attorney general may enforce this section.

SECTION 2. AMENDMENT. Section 51-15-09 of the North Dakota Century Code is amended and reenacted as follows:

51-15-09. Claims not barred. ~~The provisions of~~ Except as provided in section 1 of this Act, this chapter ~~de~~ does not bar any claim for relief by any person against any person who has acquired any moneys or property by means of any practice declared to be unlawful in this chapter. If the court finds the defendant knowingly committed the conduct, the court may order that the person commencing the action recover up to three times the actual damages proven and the court must order that the person commencing the action recover costs, disbursements, and actual reasonable attorney's fees incurred in the action.

SECTION 3. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

Date: 3/5/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2040

House JUDICIARY Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Rep. Dahl Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Chairman DeKrey	✓		Rep. Delmore	✓	
Rep. Klemin	✓		Rep. Griffin	✓	
Rep. Boehning	✓		Rep. Meyer	✓	
Rep. Charging	✓		Rep. Onstad	✓	
Rep. Dahl	✓		Rep. Wolf	✓	
Rep. Heller	✓				
Rep. Kingsbury	✓				
Rep. Koppelman	✓				
Rep. Kretschmar	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Dahl

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2040, as engrossed and amended: Judiciary Committee (Rep. DeKrey, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2040, as amended, was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the House as printed on page 801 of the House Journal, Engrossed Senate Bill No. 2040 is amended as follows:

Page 1, line 2, after "practices" insert "; to amend and reenact section 51-15-09 of the North Dakota Century Code, relating to barred claims for relief; and to declare an emergency"

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SECTION 3. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

2007 TESTIMONY

SB 2040

AH #1

1-9-07

EXCERPT FROM 2007 LEGISLATIVE COUNCIL FINAL REPORT REGARDING SENATE BILL NO. 2040 - JUDICIAL PROCESS COMMITTEE

IDENTITY THEFT STUDY

House Concurrent Resolution No. 3042 directed a study of the laws of this state and other states as they relate to the unauthorized acquisition, theft, and misuse of personal identifying information belonging to another individual. Testimony in support of the resolution indicated that a need exists to review the laws of the state to determine if those laws provide the citizens of the state with adequate protection from identity theft.

Background

Identity theft occurs when someone possesses or uses another person's name, address, Social Security number, bank or credit card account number, or other personal identifying information without that person's knowledge with the intent to commit fraud or other crimes. The Federal Trade Commission reports that identity theft is the fastest growing white-collar crime.

Prevalence of Identity Theft

According to a Federal Trade Commission report, between January and December 2004, Consumer Sentinel, the complaint data base developed and maintained by the Federal Trade Commission, received over 635,000 consumer fraud and identity theft complaints. According to the report, consumers reported losses from fraud and identity theft of more than \$547 million. The report indicated that credit card fraud (28 percent) was the most common form of reported identity theft followed by phone or utilities fraud (19 percent), bank fraud (18 percent), and employment fraud (13 percent). Other significant categories of identity theft reported by victims were government documents and benefits fraud and loan fraud. According to the report, the percentage of complaints about "electronic fund transfer" related identity theft more than doubled between 2002 and 2004. The major metropolitan areas with the highest per capita rates of reported identity theft were Phoenix-Mesa-Scottsdale, Arizona; Riverside-San Bernardino-Ontario, California; and Las Vegas-Paradise, Nevada.

The Federal Trade Commission's report also indicated that there were 188 identity theft complaints from North Dakota victims, including 53 for credit card fraud (28 percent), 42 for phone or utilities fraud (22 percent); 27 for bank fraud (14 percent); 12 for employment-related fraud (6 percent); 11 for government documents or benefits fraud (6 percent); 9 for loan fraud (5 percent); 52 for other (28 percent); and 11 for attempted identity theft (6 percent). The report also listed the number of identity thefts by city as follows: Fargo (42); Grand Forks (22); Bismarck (17); Minot (17); Cavalier (6); Dickinson (6); Mandan (6); and Minot Air Force Base (6).

North Dakota Law

North Dakota Century Code Section 12.1-23-11 prohibits the unauthorized use of personal identifying information. A violation of this section is a Class B felony if the credit, money, goods, services, or anything else of value exceeds \$1,000 in value, otherwise the offense is a Class C felony. A second or subsequent offense is a Class A felony.

In addition to the specific statute for the unauthorized use of personal identifying information, there are a number of theft statutes that are likely to be applicable, including NDCC Sections 12.1-23-02 and 12.1-23-03.

North Dakota Century Code Section 12.1-23-05 provides for the grading of theft offenses. This section provides that theft is a Class B felony if the property or services stolen exceed \$10,000 in value or are acquired or retained by a threat to commit a Class A or Class B felony or to inflict serious bodily injury on the person threatened or on any other person. This section also provides that theft is a Class C felony if certain criteria are met, including that the property or services stolen exceed \$500 in value; the property or services stolen are acquired or retained by

threat and are either acquired or retained by a public servant by a threat to take or withhold official action or exceed \$50 in value; or the property or services stolen exceed \$50 in value and are acquired or retained by a public servant in the course of official duties. With some exceptions, all other theft under Chapter 12.1-23 is a Class A misdemeanor.

North Dakota also has a body of law that addresses issues relating to consumer fraud. North Dakota Century Code Chapter 51-15 is often referred to as the state's "consumer fraud law." Section 51-15-02 provides that "[t]he act, use, or employment by any person of any deceptive act or practice, fraud, false pretense, false promise, or misrepresentation, with the intent that others rely thereon in connection with the sale or advertisement of any merchandise, whether or not any person has in fact been misled, deceived, or damaged thereby, is declared to be an unlawful practice."

The law authorizes the Attorney General to conduct and investigate unlawful practices under NDCC Chapter 51-15. The chapter also authorizes the Attorney General, upon court approval, to obtain injunctions, cease and desist orders, restitution, the appointment of a receiver, and the imposition of penalties, attorney's fees, and expenses. Section 51-15-09 creates a private cause of action for violations of the consumer fraud laws.

2005 Changes to Identity Theft Laws

In 2005 the North Dakota Legislative Assembly enacted several pieces of legislation to specifically address identity theft issues. North Dakota Century Code Section 12.1-23-11 was amended to provide that a person is guilty of an offense if the person uses or attempts to use any personal identifying information of an individual, living or deceased, to obtain credit, money, goods, services, or anything else of value without the authorization or consent of the individual. Under this section, the offense is a Class B felony if the value of the credit, money, goods, or services obtained exceeds \$1,000 in value, otherwise the offense is a Class C felony; and a subsequent offense is a Class A felony. This section also provides that prosecution for a violation must be commenced within six years after the discovery by the victim of the facts constituting the violation.

North Dakota Century Code Chapter 51-31 was enacted to provide that, upon the request of a consumer, a consumer reporting agency is required to include an initial or extended fraud alert in the file of that consumer. This chapter also provides that an individual who learns or reasonably suspects that the individual's personal identifying information has been unlawfully used by another may initiate a law enforcement action by contacting the local law enforcement agency and that an individual who reasonably believes the individual is the victim of identity theft may petition the district court for an expedited judicial determination of the individual's factual innocence. In addition, this chapter provides that the Attorney General may enforce identity theft laws and a violation of the identity theft laws is a violation of the consumer fraud and unlawful credit practices laws.

North Dakota Century Code Chapter 51-30 provides that in the case of a breach of security, a person that conducts business in North Dakota and that owns or licenses computerized data that includes personal information is required to notify the residents of this state who may have been affected by the breach and provides that a person that maintains such computerized data for such an owner or licensee must notify the owner if there is a breach of security. The chapter also provides that the Attorney General may enforce breach of security laws and violation of the breach of security laws is a violation of the consumer fraud and unlawful credit practices laws.

Identity Theft Laws of Other States

Nearly all 50 states have enacted laws that specifically address the issue of identity theft. Several states, including Alaska and Colorado, have not enacted specific identity theft laws but rather rely on their general theft statutes to address the issue. A number of states, including Missouri, Montana, Nebraska, and Pennsylvania, make the act of stealing identifying information a crime even if no credit, money, goods, services, or other thing of value was gained or was attempted to be gained. Although the classification of the offenses varies greatly from state to state, most states base the severity of the penalty on the dollar amount of the theft.

In 2005 at least 25 states enacted legislation to address issues relating to identity theft. For example, Illinois passed a law that removed the statute of limitations for the commencement of an

identity theft prosecution and passed another law that increased the penalties for identity theft and aggravated identity theft by one class higher than the current law. Illinois also passed a law that prohibits the denial of credit, public utility services, or the reduction in the credit limit of a consumer solely because the consumer has been a victim of identity theft. Kansas changed the definition of identity theft from someone who uses personal identification to knowingly and intentionally defraud a person for economic benefit to a person receiving any benefit from using someone else's personal identification. A number of states, including North Dakota, Maine, and Montana, enacted legislation that limits the information a consumer reporting agency may report without the consumer's authorization. Several states, including North Dakota, Montana, Maryland, and Hawaii, passed legislation to study issues relating to identity theft.

Federal Identity Theft Laws

Identity Theft and Assumption Deterrence Act of 1998

In October 1998 Congress passed the Identity Theft and Assumption Deterrence Act of 1998 [Pub. L. No. 105-318; 112 Stat. 3007; 18 U.S.C. 1028] to address the problem of identity theft. Specifically, the Act made it a federal crime when anyone "knowingly transfers or uses, without lawful authority, a means of identification of another person with the intent to commit, or to aid or abet, any unlawful activity that constitutes a violation of Federal law, or that constitutes a felony under any applicable State or local law."

Identity Theft Penalty Enhancement Act of 2003

The Identity Theft Penalty Enhancement Act of 2003 [18 U.S.C. 47] established penalties for aggravated identity theft. The Act prescribes sentences of two years' imprisonment for knowingly transferring, possessing, or using, without lawful authority, a means of identification of another person during and in relation to specified felony violations, including felonies relating to theft from employee benefit plans and various fraud and immigration offenses; and five years' imprisonment for knowingly taking such action during and in relation to specified felony violations pertaining to terrorist acts, in addition to the punishments provided for such felonies.

Fair Credit Reporting Act

The Fair Credit Reporting Act [15 U.S.C. 1681 et seq.] establishes procedures for correcting mistakes on an individual's credit record and requires that a credit record only be provided for legitimate business needs. The Act, enforced by the Federal Trade Commission, is designed to promote accuracy and ensure the privacy of the information used in consumer reports. Recent amendments to the Act were intended to expand consumer rights and place additional requirements on credit reporting agencies.

Other Federal Laws

- Fair Credit Billing Act [15 U.S.C. 1601] establishes procedures for resolving billing errors on credit card accounts. The Act also limits a consumer's liability for fraudulent credit card charges.
- Fair Debt Collection Practices Act [15 U.S.C. 1692] prohibits debt collectors from using unfair or deceptive practices to collect overdue bills that a creditor has forwarded for collection.
- Electronic Fund Transfer Act [15 U.S.C. 1693] provides consumer protection for all transactions using a debit card or electronic means to debit or credit an account. The Act also limits a consumer's liability for unauthorized electronic fund transfers.
- Driver's Privacy Protection Act of 1994 [Pub. L. 103-322; 18 U.S.C. 2721 et seq.] places limits on disclosures of personal information in records maintained by departments of motor vehicles.
- Family Educational Rights and Privacy Act of 1974 [20 U.S.C. 1232g] puts limits on disclosure of educational records maintained by agencies and institutions that receive federal funding.
- Gramm-Leach-Bliley Act [Pub. L. No. 106-102; 113 Stat. 1338, 1436-4515; U.S.C. 6801-6809] requires the Federal Trade Commission, along with the federal banking agencies,

the National Credit Union Administration, the Treasury Department, and the Securities and Exchange Commission, to issue regulations ensuring that financial institutions protect the privacy of consumers' personal financial information.

- Health Information Portability and Accountability Act of 1996 [Pub. L. 104-191; 110 Stat. 1936; 42 U.S.C. 201] regulates the security and confidentiality of patient information.

Testimony and Committee Considerations

The committee received extensive testimony and information from the Attorney General, the Insurance Commissioner, the North Dakota Bankers Association, representatives of the United States Postal Service, and an identity theft victim regarding issues relating to identity theft. The committee's considerations focused on five issues: state efforts and legislation to combat identity theft, federal efforts and legislation to combat identity theft, an identity theft victim testimonial, the impact of credit scores on insurance premiums, and security freeze legislation.

State Efforts and Legislation to Combat Identity Theft

The committee received extensive testimony from the Attorney General's office regarding the prevalence of identity theft and the efforts being made at the state level to combat identity theft.

The committee received testimony that it can take up to 600 hours for an identity theft victim to correct the credit problems created by an identity thief. The average identity theft nets between \$45,000 and \$50,000 and the thief rarely gets caught while the average bank robber nets \$3,000 to \$4,000 and usually gets caught. It was noted that it is often very difficult to find an identity thief because identity thieves often relocate to countries in which there is not extradition, e.g., Nigeria.

According to the director of the Consumer Protection and Antitrust Division of the Attorney General's office, a staff of two assistant attorneys general, one field investigator, three investigators, and three administrative assistants receive 100 to 150 calls per day regarding incidents of or questions about identity theft. It was noted that persons are not required to report identity theft to the Attorney General's office so this number may be just the tip of the iceberg. According to the testimony, identity thieves use personal identifying information to go on spending sprees using credit card or debit card account numbers, open new credit card accounts, buy high-ticket items, gain employment, obtain duplicate driver's licenses, and use the victims' reputations without damage to their own. The victims' information can be obtained by discarded ATM receipts, stealing mail from mailboxes, illegally obtaining credit reports, and going through garbage cans. A common way of obtaining information using a computer is a method known as "phishing." There are a number of "phishing" scams that attempt to obtain personal identifying information by fraudulently attempting to represent reputable companies. It was emphasized that people need to guard their personal information and be very careful about what information is revealed. The Attorney General offers an identity theft affidavit for victims to use to prove they have been a victim of identity theft. It also was emphasized that everyone should check their credit reports several times per year to check for errors and suspicious activity. A person can request up to three free credit reports each year, one from each of the credit reporting agencies. The Attorney General's office offers a kit to help victims of identity theft. It was noted that some of the additional law enforcement training funds authorized during the 2005 legislative session are being used to provide training on identity theft. According to the testimony, one of the best solutions for reducing identity theft is consumer education.

The committee received testimony that the 2005 increase in the penalty from a Class C felony to a Class B felony for certain types of identity theft with the offense elevated to a Class A felony for second and subsequent offenses made North Dakota's penalty one of the toughest in the country. The legislation also allowed one jurisdiction to prosecute multiple offenses which made it easier to gain jurisdiction over an offender. In addition, the 2005 legislation that requires fraud alerts on credit reports, makes police reports a mandatory item, allows for a judicial determination of factual innocence, and gives the Attorney General greater enforcement authority has provided effective tools in combating identity theft. It was noted that locking mailboxes is an effective way to prevent identity theft. It was suggested that the committee may want to encourage the United States Postal Service to require locked mailboxes. According to the testimony, the Attorney General's office would be willing to aid in the education efforts.

Testimony from a representative of the North Dakota Bankers Association indicated that when a customer requests an address change, notification that an address has been changed may be sent to both the accountholder's old address and new address. It was noted that there is not a specific requirement that this be done; however, the federal government requires banks to maintain the security of the accountholder's data.

* { During the course of the committee's study of identity theft and state efforts to combat identity theft, the committee considered a bill draft that prohibited third parties from assisting and facilitating consumer fraud upon the consumers in our state.

Testimony in support of the bill draft indicated that as consumer fraud proliferates, it becomes more organized and more complicated. This often requires the assistance of third parties, such as third-party processors, to facilitate and perpetrate the fraud. It was noted that these third parties are not the individuals directly engaged in the fraudulent solicitations but they are critical to the process of completing the fraud. According to the testimony, the telemarketing fraud industry is largely dependent upon third-party processors, which are businesses that handle the mechanics of taking money out of consumers' bank accounts and transferring that money to the fraudulent telemarketers. The Attorney General has begun investigating the third parties that facilitate fraudulent activity by, for instance, collecting payments from North Dakota victims. According to the testimony, the Attorney General would like clear legislation authorizing the Attorney General to take enforcement action against third parties that facilitate or assist others who are initially more directly engaged in fraudulent conduct. It was noted that the bill draft provided authority that is similar to the authority granted to federal agencies to prosecute persons engaged in assisting and facilitating consumer fraud in North Dakota. It was also noted that there is a \$5,000 penalty imposed for those third parties that assist and facilitate consumer fraud.

Committee members expressed concern over the phrase "substantial assistance or support" in the bill draft. According to the testimony, the word "substantial" was used to exclude those persons who unwittingly become involved in the act or practice. It was noted that the federal version of this law does not use the word "substantial." The committee amended the bill draft to remove the word "substantial."

Testimony in opposition to the bill draft indicated that the bill draft casts a wide net. It was noted that the bill draft could affect many small Internet service providers and shopper newspapers in small towns.

Federal Efforts and Legislation to Combat Identity Theft

The committee received testimony that Congress is considering a bill that amends the Fair Credit Reporting Act and extends protection to sensitive personal information, sensitive financial account information, and sensitive financial identity information. The bill requires notice to consumers if there is a breach that risks "substantial harm" or "substantial inconvenience." The bill preempts state law with respect to the responsibilities of any person to protect confidentiality of consumer information. According to the testimony, other bills, including the Consumer Data Security and Notification Act, the Consumer Identity Protection and Security Act, and the Notification of Risk to Personal Data Act, are also pending in Congress. It was noted that several of the pending Acts would preempt state action.

The committee also received testimony from a postmaster and a postal inspector of the United States Postal Service regarding methods used by the United States Postal Service to combat identity theft. According to the testimony, postal inspectors handle cases relating to mail theft, mail fraud, and burglary. It was noted that identity theft is a big issue for the Postal Service. Four percent of people who have had their identity stolen claim the theft occurred through the United States mail. It was noted that one way identity is stolen is by stealing mail either from a mailbox or from a person's trash; however, most cases involve an item fraudulently mailed through the Postal Service. According to the testimony, the Postal Service uses a financial crimes data base to track identity theft cases. Customers can report cases to this data base. The Postal Service's efforts to combat identity theft include education campaigns, an annual national consumer week, presentations to the public on how to prevent identity theft, and a change of address validation program to prevent fraudulent attempts to change an address. It was noted that the convenience checks sent by credit card companies are one of the most sought after items by thieves.

According to the testimony, the United States Postal Service attempts to educate people on the advantages of having locked mailboxes, which significantly reduce the incidents of mail theft. It was noted that the Postal Service encourages locked mailboxes but often cost is an issue. The testimony indicated there are many jurisdictional issues when dealing with international mail crimes. It was noted that lottery scams create big problems for the Postal Service. According to the testimony, the Postal Service has two postal inspectors who work exclusively on foreign lottery scams.

Identity Theft Victim Testimonial

The committee received testimony from an individual who had personal experience with identity theft. The victim's ordeal began in 1997 when an individual from Minnesota was able to obtain information regarding the victim's bank accounts and a copy of his birth certificate. The individual who stole his identity opened accounts in his name and attempted to purchase a \$30,000 truck using those accounts. The individual, who was eventually caught, spent 13 days in jail in North Dakota and 30 days in jail in South Dakota. According to the testimony, that individual offended again and received a three-year sentence. According to the testimony, the whole ordeal cost the victim attorney's fees, over \$2,000 in other costs, and many hours of his time. It was noted that as a citizen and consumer, he was the one being punished. The victim emphasized the importance of frequent credit checks. The victim reported that although his credit report was eventually cleared, it took more than a year and many letters and affidavits to accomplish it.

Impact of Credit Scores on Insurance Premiums

The committee received testimony from a representative of the Insurance Commissioner regarding the impact of credit scores on insurance premiums. According to the testimony, in recent years, automobile and homeowner insurance companies have developed a new tool to predict more accurately future losses of their insureds. This new tool is called a "financial responsibility score." It was noted that while this score is similar to the credit score that lenders and mortgage companies use when a person applies for a loan, it is not the same score. A statistical company that was instrumental in developing the system for calculating the credit score used by lenders was the leader in developing a formula for calculating a score that is used in the insurance underwriting and rating process. There is not a standard statistical formula in use by all companies and formulas can vary from 11 attributes to as high as 25 attributes. According to the testimony, some attributes that are common among formulas are timeliness of payments, number of credit cards, amount of indebtedness compared to the total amount of available credit, number of bankruptcies, judgments, or defaults, and the length of time a consumer has had credit. The testimony indicated that the statistical company initially took the credit information of over 15 million automobile insurance policyholders, applied the formula to the policyholders' credit reports to find the score, and found a direct correlation between the scores and the policyholders' insurance loss experience. It is this correlation that serves as the insurance industry's basis for using the score as a tool in determining whether to write certain risks or to decide what the appropriate premium is for the risk.

According to the testimony, when this new methodology was used, North Dakota did not have a law in place to deal with this new concept. The Insurance Commissioner, in an attempt to provide some consumer protections and create some uniformity and guidelines in the use of credit information by the insurance industry, proposed a bill that passed during the 2003 legislative session. That law, codified as North Dakota Century Code Chapter 26.1-25.1, sets requirements and limitations on the use of credit information. For example, the 2003 law prohibits the denial, cancellation, or nonrenewal of a policy solely on the basis of credit information, without consideration of any other applicable underwriting factor independent of credit information.

The testimony also indicated that the 2003 law also provides consumer protections. These protections include requiring disclosure to the consumer at the time of an application that the company may use credit information and requiring the disclosure to the consumer if the use of credit information results in an "adverse action," such as a higher rate or refusal to insure. As of February 2006, approximately 45 states had enacted statutes to address the use of credit information in personal lines insurance. Of the states with laws in place, about 15 are revisiting

their laws in attempts to either repeal the laws, add more restrictions, or to completely prohibit the use of credit for predicting future losses.

Security Freeze Legislation

During the course of the committee's study of identity theft, the committee received information regarding security freeze legislation. A security freeze or credit freeze is a tool available to a consumer to lock or "freeze" the consumer's credit report and credit score. When a consumer places a security freeze on the consumer's credit report, all third parties, such as credit lenders and other companies, whose use is not exempt under law, are unable to access the consumer's credit report or credit score without the consumer's consent. The committee received testimony that 23 states have enacted security freeze legislation.

According to testimony from the Attorney General's office, in light of escalating identity theft occurrences and theft or security breaches relating to the storage and collection of confidential personal and financial information, the Attorney General believes it is very important for North Dakota to implement security freeze legislation to provide additional protection to North Dakota consumers. It was noted the Attorney General considered introducing security freeze legislation during the 2005 legislative session but it was late in the legislative process and he opted to research and consider security freeze legislation for the 2007 legislative session. According to the testimony, of the 23 states that have enacted security freeze legislation, 18 made the security freeze available to all consumers, not just identity theft victims. According to the testimony, the Attorney General prefers the security freeze tool be available to all North Dakota consumers. A security freeze should apply to all types of new account fraud and should not be limited to the extension of credit. It was emphasized that it is important that a security freeze be easy to use. It was noted that Congress has legislation pending, the Financial Data Protection Act of 2006, which would preempt all state laws that regulate data security breaches and security freezes. According to the testimony, the Attorney General and 48 other Attorneys General sent a letter to congressional leaders urging them, in the event of preemption, to adopt strong legislation regarding security breach notification and strong security freeze legislation, enforceable by the states' Attorneys General.

The testimony indicated that the Attorney General is preparing a bill draft on security freezes. It was noted the legislation is somewhat controversial in the credit reporting community. It was also noted such a freeze would cause a person delays in obtaining credit.

Testimony from the North Dakota Bankers Association indicated that uniformity of security freeze legislation among states is a concern for banks. It was emphasized that in considering identity theft legislation it is important to keep in mind that North Dakota and South Dakota have the least amount of identity theft. It was noted that security freeze legislation is a new tool so there is not much data available on its effectiveness.

Recommendation

The committee recommends Senate Bill No. 2040 to prohibit third parties from assisting and facilitating consumer fraud upon the consumers in this state.

Att # 3a

1-9-07

SENATE JUDICIARY COMMITTEE
SENATOR DAVE NETHING, CHAIRMAN
JANUARY 9, 2007

TESTIMONY BY
PARRELL D. GROSSMAN
DIRECTOR, CONSUMER PROTECTION AND ANTITRUST DIVISION
OFFICE OF ATTORNEY GENERAL

Mr. Chairman and members of the Senate Judiciary Committee. I am Parrell Grossman, Director of the Consumer Protection and Antitrust Division of the Attorney General's Office. I appear on behalf of the Attorney General in support of this legislation.

This legislation will provide the Attorney General with important statutory authority to protect consumers from con artists and crooks who utilize third parties to assist and facilitate the fraud.

Many of the con artists have either moved to or are now located in Canada and other international locations such as the West Indies, India, etc. where they evade prosecution in North Dakota and elsewhere in the United States. They commit consumer fraud through telemarketing, the Internet, and the mail. The telemarketing boiler rooms, Internet servers, and records, if any, are all located outside the United States. Many of these con artists never appear in the U.S. to avoid civil and/or criminal prosecution by federal and/or state law enforcement authorities. However, these perpetrators require the help or services of third parties to assist and facilitate them in stealing millions of dollars from consumers, including North Dakota consumers.

One of the most glaring and egregious examples involves con artists' use and assistance of "third-party processors" ("TPPs"), or third-party payment processors, in order to facilitate and perpetrate the fraud. These third party processors are not the individuals directly engaged in the fraudulent solicitations, but they are critical to the process of completing the fraud.

The telemarketing fraud industry is largely dependent upon TPPs, which are businesses that handle the mechanics of taking money out of consumers' bank accounts and transferring that money to the fraudulent telemarketers. In a way, they are the fraudulent telemarketers' banking system and in some cases, money launderers.

These TPPS should not be confused with the legitimate banks and financial institutions who merely make payments from consumers bank accounts without any knowledge of the nature of the transaction, and would have no way of knowing the transactions weren't authorized or weren't legitimate. These banks are often are victims of the fraudulent activity.

Once the telemarketers have obtained the necessary information from the consumers – usually bank account and routing numbers – the information is passed along to TPPs. TPPs then use the numbers to generate paper demand drafts, which are signature-less checks processed by banks the same as a check you write out from your own checkbook, or to process ACH (Automated Clearing House) transactions, which are essentially electronic orders to take money from one account and transfer it to another – examples would be direct deposit of your paycheck or monthly premiums paid out of your bank account to your insurance company.

The demand drafts processed may be made payable to the telemarketing fraud company but are actually deposited into a TPP account. The TPP then deducts its service fees, makes payments directly to the perpetrator's vendors i.e. call centers, list brokers, lawyers, voice-verification companies, etc., and then wires the remaining amounts to the perpetrators. Frequently these transfers are to foreign or overseas accounts, making recovery virtually impossible.

TPPs can take a very active role in the business operations of their clients – down to reviewing telemarketing scripts, handling consumer complaints, monitoring telemarketing calls, making payments directly to their clients' vendors and accepting payments on behalf of their clients. The fraudulent operations are very lucrative for the TPPs.

Earlier this year, the U.S. Attorney in Philadelphia, acting on behalf of the U.S. Postal Inspection Service, filed suit against a Pennsylvania third-party processor and seized bank accounts upon a finding of probable cause that the TPP was engaged in mail fraud, wire fraud, and violations of banking laws along the lines I just described. In that case, in one 8-month period the TPP successfully processed \$57.9 million in transactions, with most of those proceeds paid to the TPP, its principals, fraudulent telemarketers and vendors. During that same period transactions totaling another \$84.1 million were attempted, but were unsuccessful for various reasons such as insufficient funds in the transferring account or because the consumers were able to notify their bank to stop the fraudulent transaction.

In many schemes the original fraudulent party makes the deceptive or illegal sales pitch, but the money is sent to a TPP that collects millions of dollars for the fraudulent party, retains its lucrative share, and then forwards payment to its "client," who often is located in Canada, the West Indies, or some other foreign country. Of course the original fraudulent parties have effectively insulated themselves from law enforcement officials such as the Attorney General of North Dakota. There are many hurdles to locating these scam artists and it is difficult, if not impossible, for a state attorney general to prosecute or obtain consumer restitution from the fraudulent parties, located outside the United States.

Therefore, Attorney General Stenehjem has started to aggressively investigate the third parties that facilitated the fraudulent activity by, for instance, collecting payments from the North Dakota victims. In addition, other state attorneys general, as well as federal agencies such as the Department of Justice, United States Attorneys, United States

Postal Inspectors, the Federal Trade Commission, and the Federal Bureau of Investigation also are engaged in the process of doing such investigations, etc.

Attorney General Stenehjem, however, strongly believes North Dakota cannot and should not rely on the timing or decision-making process conducted by other states, or the federal agencies. The North Dakota victims may not be a priority to other law enforcement entities. In many instances the Attorney General is in a better position to act promptly and effectively to address the fraudulent conduct, before other states or federal agencies do so. For instance, North Dakota state and federal courts often are more quickly accessible than in other jurisdictions.

Telemarketers engaged in fraudulent government grant scam solicitations have contacted hundreds of North Dakota consumers offering bogus government grants ranging from \$8,000 to \$200,000 for processing fees ranging from \$49 to \$299.99. The Attorney General has issued approximately twelve Cease and Desist Orders against such fraudulent grant scam companies, many which are located in Canada or elsewhere outside the United States. Unfortunately there are many individuals or companies engaged just in fraudulent grant scams. Many of the operations are, or likely are, related. However, it is very resource intensive to determine or establish the connections between the many individuals and entities.

The Consumer Protection Division, relying on other legal theories, already has engaged in action to obtain refunds for North Dakota victims. In these instances we mostly have engaged in negotiated settlements for consumer restitution, or we have mediated consumer restitution. One instance of successful recoveries for North Dakota consumers is a third party payment processor in Pennsylvania. We recovered approximately \$11,200 in refunds for approximately 90 grant scam victims in North Dakota. (These are only consumers whose monies were processed by that third party processor, and these are not the only victims of the grant scams.) We argued to this third party processor that it was liable to the North Dakota consumers, based upon its conduct or participation with the grant scam parties. This TPP agreed to make refunds to the North Dakota victims. If this TPP, however, had decided to contest our claim instead of cooperating, it would have difficult to pursue the TPP and obtain restitution for North Dakota victims under existing law. However, this proposed legislation would have resolved that problem and permitted the Attorney General to prove the third party's participation in the fraud.

Therefore, the Attorney General would like clear legislation authorizing him to take enforcement action against third parties that facilitate or assist others whom are initially more directly engaged in the fraudulent conduct. This legislation is not a substitute to prosecuting the individuals directly engaged in fraud, who will remain the primary target of enforcement actions; however, it will supplement the Attorney General's ability to obtain justice for our victims.

The federal agencies typically have criminal or civil authority to take action against other parties participating in the fraud. Federal law provides authority to take enforcement

action against persons engaged in facilitating or assisting fraudulent telemarketers or sellers.

The specific legislation is the federal Telemarketing Sales Rule, 16 CFR section 310.3(b), which reads as follows:

"Assisting and facilitating. It is a deceptive telemarketing act or practice and a violation of this Rule for a person to provide assistance or support to any seller or telemarketer when the person knows or consciously avoids knowing that the seller is engaged in any act or practice that violates section 310.3(a), (c), or (d.), or section 310.4 of this Rule."

Fraud, and particularly telemarketing fraud, is not usually the result of one bad actor working alone. It typically requires the cooperation of a network of several different entities, each with its own role to play, and each an essential link in the chain. In addition to the fraud mastermind there are the telemarketing boiler rooms to make the calls, the list brokers who generate and sell leads or "sucker lists," the fulfillment company which sends out the bogus paperwork or worthless product, the TPP to handle the money and so forth. The fraudsters benefit from this fragmentation, which is designed to make it more difficult to identify the wrongdoers and stop the fraud.

A common defense frequently heard by the Attorney General's Office is: "We are just third-party processors/fulfillment companies/call centers for the bad guys, we're not the bad guys ourselves." The reality is that those who assist and facilitate the wrongdoers should be liable for the violation they make possible through their efforts and for which they are financially rewarded.

I have attached three Exhibits. Exhibit 1 is a law enforcement report prepared by the Consumer Protection Division detailing its investigation in a particular bogus grant scheme. It identifies the roles of parties that assist or facilitate the fraud such as the third-party payment processors, call center brokers who arrange for the telephone lines for the fraudulent boiler rooms, and the fulfillment companies who offer the bogus products such as coupons and long-distance plans. Exhibit 2, prepared by the Consumer Protection Division, details bogus government grant companies, and again identifies third-party payment processors, brokers, and fulfillment companies, all who facilitate and assist in the scams. Exhibit 3 is a spreadsheet prepared by the Consumer Protection Division, identifying the bogus government grant companies we are aware of at this time. Many of these scams use several different telephone numbers and have several different locations, as well as being identified by many different fake business names.

The Attorney General doesn't expect you to read all this information in detail, but he wants you to be aware of the convoluted and complicated nature of these fraudulent schemes, and the roles of the parties that assist in the fraud, in order that you have a better understanding of the need for this particular legislation.

The proposed legislation would greatly enhance the Attorney General's ability to protect North Dakota Consumers, prosecute consumer fraud, and recover restitution for our consumers.

It will not only help us prosecute fraud partners, it will "encourage" cooperation from some of the entities that provide the support to those engaged in fraudulent activity. We anticipate in many instances the authority will be helpful merely to obtain records, information, and cooperation from these parties, who currently protect the more fraudulent parties.

Despite Attorney General Stenehjem's strong emphasis on and commitment to consumer fraud education to prevent consumer fraud and diligent enforcement prosecutions of consumer fraud violations, we will never be able to prevent consumer fraud. However, as con artists and thieves use innovations in technology and schemes to cheat and trick North Dakota victims out of hundreds of thousands of dollars, and then evade prosecution by locating themselves outside our reach, the Attorney General, too, must ensure this Office has the most effective tools necessary to do everything possible to prosecute consumer fraud and protect North Dakota consumers.

The Attorney General is proposing the attached amendments which would change the requisite knowledge standard on line 8 from "knows or should know" to "knows or consciously avoids knowing." Concern was expressed that the "should know" standard might include negligent conduct of legitimate businesses or enterprises. To address this concern the Attorney General has agreed to change that standard to "consciously avoids knowing." In fact, "consciously avoids knowing" would mirror the language in the federal telemarketing "assisting and facilitating" statute.

The Attorney General respectfully asks the Senate Judiciary Committee to give Senate Bill 2040, with the proposed amendments, a "Do Pass" recommendation.

Thank you for your time and consideration. I would be pleased to try and answer any questions.

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**SUMMARY OF FIRST NATIONAL GRANT/
ADVANTAGE AMERICA/MYGRANTMANAGEMENT
TELEMARKETING FRAUD**

North Dakota Office of Attorney General
Consumer Protection & Antitrust Division
James Patrick Thomas, AAG
PO Box 1054
Bismarck, ND 58502-1054
701-328-5578
701-328-5568 (fax)
jpthomas@state.nd.us

December 20, 2005

[REDACTED]

INTRODUCTION

Since at least March 2005, telemarketers identifying themselves as firstnationalgrant.com, Advantage America, mygrantmanagement.com or variations thereof have been placing telephone calls to consumers throughout the United States misrepresenting that the consumers have been selected to receive government grants in the amount \$12,500 to \$200,000. No such grants exist.

Consumers are typically told they must pay processing fees ranging from \$49.00 to \$299.95. Misrepresentations to consumers include that the caller is with the United States government, which is giving out money to taxpayers to be used for any purpose. Some consumers report a discount health care plan component and/or grocery coupon component to the sales pitch. Telemarketers require that consumers provide banking information, which is then used to make unauthorized electronic bank draft transactions directly from consumers' bank accounts. Frequently telemarketers appear to be targeting elderly, uneducated or otherwise vulnerable individuals. The Attorney General of North Dakota issued a Cease and Desist Order on November 10, 2005.

OBJECTIVES

This memorandum will summarize information gathered by the Attorney General and identify the various participants in the fraudulent scheme. [REDACTED]

[REDACTED]

[REDACTED]

CAVEAT

The information in this memorandum is derived from a variety of sources

[REDACTED]

[REDACTED]

[REDACTED] The memorandum is based on good-faith investigative efforts by the Attorney General; however, the accuracy and reliability of the data cannot, in all cases, be confirmed from primary sources due to intentional obfuscation, misdirection, use of false names, use of bogus addresses and the general unreliability of perpetrators of grant scams.

PRINCIPAL PLAYERS

The Attorney General has identified two separate branches of the subject fraudulent grant scheme, with seemingly separate operations but overlapping principals and methods. In this memorandum the first branch will be called "First National Grant" and the second branch will be called "MyGrantManagement." The Attorney General has paper and electronic files for each branch of the scheme. The Attorney General's investigation is on-going and new information or complaints are received daily.

FIRST NATIONAL GRANT

1. First National Grant Plus
aka firstnationalgrant.com
aka Advantage America
aka Advantage America, Inc.
aka Advantage America Benefits
aka americanadvantagebenefits.com
aka First National Benefits
aka First Government Grants
aka First National Health Care
aka First National Health Care Benefits Ltd.
aka Titan Financial (Charlotte, NC)
aka First National Government Grants
aka AIG Limited (New York)
aka Premier Health Benefits (Florida)
aka First National Health Care Limited (Florida)
aka First National Benefits (Florida)
aka First American Benefits
aka Financial Benefits Network
aka Grant Research Marketing
aka Grant Management Network
British Colonial, Center of Commerce
1 Bay Street, 3rd Floor
Suite 303
P.O. Box N-7115
Nassau, Bahamas
and

[REDACTED]

1900 Howell Branch Rd. Ste 4-7
Winter Park, FL 32792
and
2431 Aloma Ave., Ste. 158
Winter Park, FL 32792
and
15720 John J. Delaney Drive
Charlotte, NC 28277
800-410-1682
866-503-7345
866-557-0643
877-851-3466
877-851-4366

Most First National Grant telemarketers contacting consumers are identifying themselves as Advantage America, First National Grant Plus or some variation thereof. The toll-free numbers being given to consumers for customer service have been traced through telecommunications re-sellers in the United States and Canada to offshore call centers/boiler rooms in the West Indies (Helen Television System/Helen IT of St. Lucia) and the Philippines (Callworx, Inc. of Pasig City, Philippines). Records from First National Grants' third-party payment processor (Payment Processing Center of Newtown, Pennsylvania) suggests First National Grant may be operating as many as 25 or more boiler rooms simultaneously.

The Nassau, Bahamas corporate address was obtained from Payment Processing Center. The Winter Park and Deltona, Florida addresses are either mail drops or empty suites; the addresses were obtained primarily from consumer complaints and the Better Business Bureau, Orlando, Florida. The North Carolina address is a discontinued mail drop located at a Your Office USA store.

Searches of Better Business Bureau web sites, ripoffreport.com and contacts with law enforcement suggest that this scam is nationwide in scope and is likely processing tens of millions of dollars in fraudulently-obtained proceeds.

For purposes of North Dakota's investigation, First National Grant was briefly represented by Jordan M. Cohen, Esq., Cove & Associates P.A., 225 South 21st Avenue, Hollywood, Florida 33020, 954-921-1121, 954-921-1621 (fax). The firm withdrew after North Dakota asked them to accept service of a subpoena.

2. Ken Gomes
aka Ken Anthony Gomes
aka Ken Gomez
St. John's, Antigua, West Indies
268-728-8910

[REDACTED]

268-725-6322
268-560-9814 (fax)
514-667-1579
balhead@total.net

Gomes is the individual who procured the firstnationalgrant.com domain from web designer Jonathan Lauer of Deltona, Florida. Gomes was also identified by Linford Fevrier of the Helen Television/Helen IT call center as the party with whom Helen IT contracted for call center services. Gomes also procured a mail drop box in Philadelphia, Pennsylvania used by the other branch of this telemarketing scheme, MyGrantManagement.

[REDACTED]

[REDACTED] It is our understanding Gomes is a Canadian national who spends most of his time in the West Indies.

3. Payment Processing Center
Michael Weisberg
Lydia Isaac
Randy Trost
Danielle Diamond
121 Friends Lane, Suite 200
Newtown, PA 18940-1897
215-944-9100
866-944-1098
215-944-9118 (fax)

Payment Processing Center is a third-party payment processor which facilitates the transfer of funds from consumers to the perpetrators and their agents. In simplified terms, we understand the process to work as follows: The boiler rooms call lists of consumers purchased from list brokers, telephone consumers and convince them they have been awarded a government grant. The telemarketers obtain checking account and bank routing numbers from consumers (the magnetic ink numbers at the bottom of a check draft) or confirm the consumer's numbers which the perpetrators have already purchased from a broker before making the call to the consumer. These are the "sales." The "sales" are then electronically transmitted to third-party payment processing companies who use the information to generate paper check drafts with the consumers' account and routing information. These checks are then sent through the banking system like any other check draft. The checks on their face are made payable to the perpetrator, i.e. Advantage America, but by contractual agreement, are actually deposited into an account of the third-party payment processor, i.e. Payment Processing Center. Payment Processing Center then takes its fee from the funds, makes payments directly to the

[REDACTED]

perpetrator's vendors i.e. call centers, list brokers, lawyers, voice verification companies, etc., then wires the remaining amounts to the perpetrators.

It appears Payment Processing Center has only been processing for First National Grant since mid-August 2005. Their application indicates they expect 400-500 sales per day, 30 days a month. At \$299.95 per sale, that would be \$119,980 to \$149,975 per day. **That works out to approximately \$3,600,000 to \$4,500,000 per month in gross receipts.** Prior to August, another processor, Netchex, processed for First National Grant. North Dakota's admittedly incomplete records from Payment Processing Center indicate, for example, that on August 24, 2005 First National Grant sent 1,200 Advantage America sales to Payment Processing Center with a presumed value of \$359,940. On October 11, 2005 First National Grant sent Payment Processing Center a batch of 1,600 orders at \$49.95 (\$79,920) and 700 sales at \$299.95 (\$209,965). Vendors such as Helen IT, VoiceLog, List Acquisition and the like are being wired amounts totaling from about \$50,000 to \$170,000 every few weeks to cover expenses. As of November 11, 2005 Payment Processing Center had reserves of over \$300,000 on hand to cover disputed charges for First National Grant.

The Payment Processing Center documents indicate Payment Processing Center takes a very active role in the business operations of their clients. Payment Processing Center purports to review client scripts, handle consumer complaints, monitor telemarketing calls, make payments directly to their clients' vendors and accept monetary deposits on behalf of their clients before passing the funds on to the clients. It seems apparent Payment Processing Center is a co-conspirator/accomplice/virtual partner with First National Grant.

[REDACTED]

For purposes of responding to North Dakota's subpoena, Payment Processing Center is represented by Adam Z. Solomon, Esq., The Lustigman Firm, P.C., 149 Madison Avenue; Suite 805, New York, NY 10016, 212-683-9180.

4. Your Money Access
aka YMA
aka Universal Payment Solutions
fka Netchex
Attn: Marthea Baskerville
4185 W. Lake Mead Blvd., Ste. 177
Lake Mary, FL 32746
407-804-2800

[REDACTED]

This entity served as First National Grant's third-party payment processor prior to August 2005.

[REDACTED] Tee Dixon, CEO of YMA, is identified in First National Grant's application for third-party processing to Payment Processing Center as an "Industry Reference" for First National Grant. For purposes of North Dakota's investigation, YMA is represented by James Schulz, Esq., Reed Smith LLP, 1301 K Street, N.W., Suite 1100 - East Tower, Washington 20005, 202-414-9234, jschulz@reedsmith.com.

5. Easy Grants Limited
Michael Mason, Director
Chanell Sturge, Incorporator
P.O. Box 625
Charlestown, Nevis, West Indies

This appears to be a front or shell corporation relating to First National Grant. The corporate information was provided to Payment Processing Center by First National Grant when application was made to have Payment Processing Center serve as third-party processor.

6. MHF
British Colonial, Center of Commerce
1 Bay Street, 3rd Floor
Suite 303
P.O. Box N-7115
Nassau, Bahamas

This appears to be a front or shell corporation relating to First National Grant. The corporate information was provided to Payment Processing Center by First National Grant when application was made to have Payment Processing Center serve as third-party processor.

7. Easy Step Solutions
aka ESS
119 South Palmetto Ave
Suite 154
Daytona, FL 32114
877-851-4363
800-657-9380
800-923-8939
easystepsolutions.com

[REDACTED]

This appears to be a front or shell corporation relating to First National Grant. The corporate information was provided to Payment Processing Center by First National Grant when application was made to have Payment Processing Center serve as third-party processor. The address is likely a drop box.

8. Despen Trust Limited
P.O. Box 625
Charlestown, Nevis, West Indies
869-469-1016
869-469-0826
despentrust.com

This appears to be a front or shell corporation relating to First National Grant. They may be a corporation mill, creating West Indian shell corporations to hide illegal activities. The corporate information was provided to Payment Processing Center by First National Grant when application was made to have Payment Processing Center serve as third-party processor. Linford Fevrier of Helen IT, a call center for First National Grant, identified his client for First National Grant customer service telephone number 800-410-1682 as Ken Gomes of Despen Trust Limited.

9. Donald Earl Nyveen
President, Advantage America, Inc. and MHN
P.O. Box F-40107
29 Fortune, Bay Point
Freeport, Bahamas
242-373-7852
baypoint@coralwave.com

Identified in First National Grant's application for third-party processing to Payment Processing Center. Registrant behind advantageamericabenefits.com domain.

10. Barry Kirstein
Advantage America, Inc. and MHN
515-369-0978
514-369-4738 (fax)
barry.kirstein@sympatico.ca

Identified in First National Grant's application for third-party processing to Payment Processing Center as "Business Contact."

11. Rene Blouin
Advantage America, Inc. and MHN
514-849-1489

[REDACTED]

blouinr@sympatico.ca

Identified in First National Grant's application for third-party processing to Payment Processing Center as "Technical/IT" contact.

12. Tasha Swensen
aka Tina David
aka Erika Roberts
Advantage America, Inc. and MHN
Customer Service
4060 Kokomo Court
Saratoga Springs, UT 84043
and
1735 W. 540
St. George, UT 84770-1633
and
73 S. 200 2
Cedar City, UT 84720-3334
and
421 S. 1275 3
Cedar City, UT 84720-4249
801-458-6972
435-674-2673
701-526-0904
866-503-7345
866-890-5224 (fax)
???-865-5876
roberts_erika@yahoo.com
erkroberts@yahoo.com

In First National Grant's application for third-party processing to Payment Processing Center, the customer service representative was identified as Tina David at roberts_erika@yahoo.com, 866-503-7345. "Erika Roberts" appears to be the pseudonym of Tasha Swensen aka Tina David, or vice versa. "Erika Roberts" is the name used by First National Grant customer service and the name appears frequently in consumer complaints, on Better Business Bureau sites and in communications from First National Grant to the Attorney General. The Better Business Bureau in Orlando believes "Erika Roberts" works for Helen IT in St. Lucia, West Indies.

"Roberts" has been tied to North Dakota telephone number 701-526-0904 by both Payment Processing Center internal communications and Vincent Buonassissi of Post Global, a Deltona, Florida mail-processing business engaged by First National Grant to forward mail to the West Indies. The 701-

[REDACTED]

526-0904 is a Voice-Over-Internet-Protocol (VOIP) number leased from Vonage, meaning that the number could be used anywhere in the world. Vonage records indicate 701-526-0904 was purchased on December 10, 2004 with a credit card issued to Tasha Swensen, Saratoga Springs, Utah. Swensen gave her e-mail address as erkroberts@yahoo.com. Records also indicate the 701-526-0904 number frequently forwarded its calls to other telephone numbers including: 800-657-9614, 800-657-9371, 800-657-9307, 703-857-4851 (Leesburg, VA), 561-214-4603 (West Palm Beach, FL).

13. Crystal Brown
Advantage America, Inc. and MHN
Customer Service
758-450-1562

Another name frequently given to consumers as a customer service contact at First National Grant, also identified in Payment Processing Center documents. She is also identified in Advantage America letters to consumers.

14. Nicole Bertrand
Advantage America, Inc. and MHN
aka Susanne
Financial - wire transfers and accounting
514-369-4374
514-369-4738 (fax)
nicolebertrand2@sympatico.ca

Identified in First National Grant's application for third-party processing to Payment Processing Center. Very involved in financial operations and moving funds through wire transfers. Bertrand was also involved in an advance-fee credit card scam called Alini International Marketing Inc. in Montreal, Quebec, with Neil Haboush. See http://www.crimes-of-persuasion.com/Crimes/Telemarketing/Inbound/MinorIn/MoneyProbs/card_offers.htm. That matter was pursued by New York Assistant Attorney General Mark Fleischer. Alini International Marketing Inc. is known to be a client of the law firm Cove & Associates P.A., 225 South 21st Avenue Hollywood, Florida 33020, 954-921-1121, a telemarketing law firm. Payment Processing Center documents indicate First National Grant has recently been wiring money to Cove & Associates.

North Dakota currently has another Canadian telemarketing scam investigation involving Neil Haboush, called Client Care Relations - Strategic Commercial Solutions (File Nos. 040518.003, 040531.012, 040517.002, 050038.001, 050222.001). A Cease and Desist Order was issued in that case in June 2005. For purposes of that investigation, Haboush is represented by Kenneth F. Salomon, Esq., Sternthal Katznelson Montigny, Place du Canada, 1010 de la

[REDACTED]

Gauchetière West, Suite 1020, Montréal, Québec, Canada, H3B 2N2, 514-878-1011.

15. Alec Gittens
aftamafag@yahoo.com

Identified in First National Grant's application for third-party processing to Payment Processing Center. Gittens appears to be involved in call center management for Advantage America, Inc. and MHN.

16. David Greer
Consultant
consultant@inforwest.com

Identified in First National Grant's application for third-party processing to Payment Processing Center as a consultant for Advantage America, Inc. and MHN.

17. VoiceLog LLC
Paul Katz
7901 H Beechcraft Ave.
Gaithersburg, MD 20879
301-921-2045
240-631-8392
301-990-8671 (fax)

Identified in First National Grant's application for third-party processing to Payment Processing Center as Third-Party Verification for Advantage America, Inc. and MHN. Some telemarketing fraud schemes present their fraudulent pitch during the first part of the telephone solicitation, then, after the consumer has been duped and agrees to provide information, the second part of the call is digitally recorded for "verification" of the victim's name, account numbers, etc. This recording is often later used to intimidate and bluff complaining consumers by "proving" consent. Third-party processors such as Payment Processing Center also claim to monitor the verification recordings to ensure that their clients are not making misrepresentations and to provide the third-party processors with cover. The verifications are not proof of consumer consent because they purposely do not include the sales pitch with the misrepresentations regarding the guaranteed government grant.

18. List Acquisition, Inc.
Noah Markel
David Yamin
Vincent Buonassissi

[REDACTED]

3070 Chamberlain St.
Deltona, FL 32738
386-532-3452
386-235-0497
noah@listacquisition.com

Identified in First National Grant's application for third-party processing to Payment Processing Center as "Product Supplier." Better Business Bureau in Orlando believes David Yamin and Vincent Buonassissi are involved. Presumably provides "sucker lists" for First National Grant telemarketers.

Markel also purchases groceriesavers.com coupon books in bulk from groceriesaver.com on behalf of Advantage America. The coupon books are ordered by Markel then shipped to Midlantic Marketing, Attn: David Sasser, 750 Fentress Blvd., Daytona Beach, FL 32114, 800-470-0876, mmsdirect.com. The coupon books are eventually mailed to some "customers" of Advantage America. The groceriesavers.com contact is Wally Anderson, USExpress, Director of Marketing, The Coupon Fulfillment Center, 7031 Middlebrook Pike, Knoxville, TN 37909, 800-695-3636, wally@usexpress.net. Anderson says Markel has purchased about 60,000 to 70,000 coupon books at \$.75 to \$1.00 per book. For purposes of North Dakota's investigation, Anderson is represented by David K. Vowell, Esq., 6718 Albunda Drive, Knoxville, TN 37919, 865-292-0000.

19. Beginning Again, Inc.
Jonathan Bartholomew
1426 Gulf-to-Bay Blvd. Ste. E
Clearwater, FL 33755

Identified in First National Grant's application for third-party processing to Payment Processing Center as "List Broker." Presumably provides "sucker lists" for First National Grant telemarketers.

20. Vincent Buonassissi
Post Global
Deltona, Florida
386-235-0497

Identified by Better Business Bureau in Orlando as renter of an empty suite serving as a mail drop for First National Grant at 1900 Howell Branch Rd. Ste 4-7 Winter Park, FL 32792. Forwards mail to West Indies [REDACTED]
[REDACTED]

21. David Yamin
833 Sylvia Drive

[REDACTED]

Deltona, FL 32725
407-687-3040

Identified in First National Grant documents from Payment Processing Center as recipient of wire transfers for "mail services." Has an account at Peoples First Community Bank, Orange City, Florida. Better Business Bureau in Orlando believes David Yamin and Vincent Buonassissi are involved in List Acquisition, Inc.

Yamin was previously identified by First National Grant web designer Jonathan Lauer of Deltona, Florida as the procurer of the usgrantseeker.com web site, which was the subject of a previous North Dakota Attorney General investigation known as "Express Grant" (File No. 050139) involving Roger Samara of Montreal, Quebec. A Cease and Desist Order was issued in that case in April 2005. For purposes of that investigation, Yamin was represented by Karen A. Weaver, Esq., Weaver Law Group, LLC, 549 Randolph St., Ste. 400, Chicago, IL 60661, 312-876-3686. [REDACTED]

Yamin is also identified as a recipient of payment for mail services on behalf Lakeshore Media Group, Inc. of Worcester, Massachusetts (MyGrantManagement - the other branch of this fraudulent scheme).

22. Jonathan Lauer
1521 Ortega Avenue
Deltona, FL 32738-4903
386-789-1500
jlauer@cfl.rr.com

Lauer is the web site designer for three virtually identical bogus grant websites: (1) firstnationalgrant.com for Ken Gomes of Montreal/West Indies, (2) mygrantmanagement.com for Jody Robert Overland/Lakeshore Media Group, Inc. of Worcester, Massachusetts/Montreal, and (3) usgrantseeker.com for David Yamin of Deltona, Florida. With respect to North Dakota's subpoena, Lauer is (like Payment Processing Center) represented by Scott A. Shaffer Esq., The Lustigman Firm, P.C., 149 Madison Avenue; Suite 805, New York, NY 10016, 212-683-9180.

23. Helen Television System
dba Helen IT
The Morne, Castries
Box 621
St. Lucia, West Indies
Attn: Linford Fevrier
758-450-1016
758-453-1737 (fax)

[REDACTED]

lfevrier@helenIT.com

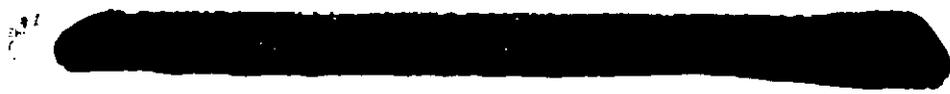
Has been determined to be the call center supporting 800-410-1682 customer service number for First National Grant. Renting the number through Teleglobe International Holdings, Ltd. of Montreal, Quebec. Linford Fevrier of Helen IT identified his client as Ken Gomes of Despen Trust Limited. Also appears to be supporting out-bound telemarketing calls. Claims to have "ported" or transferred the telephone line to another provider months ago; but, as of early November continued to receive substantial payments from Payment Processing Center on behalf of First National Grant. For purposes of the Attorney General's Cease and Desist Order, Helen Television System is represented by Judith D. O'Neill, Esq., Greenberg Traurig, LLP, MetLife Building, 200 Park Avenue, New York, NY 10166, 212-801-9387.

24. Callworx, Inc.
Unit 8A, 8/F Hanston Building
Emerald Avenue, Ortigas Center
Pasig City, Philippines 1605
Attn: Palo Deguzman
info@callworx.com
and
615 South Grand Avenue
Los Angeles, CA 90017
877-546-0469
213-945-5200
213-596-0496 (fax)
and
Arnold Bagabaldo
President
8378 Baldwin St. Unit F
Oakland, CA 94621
arnoldb@callworx.com
fax@callworx.com

Has been determined to be additional call center customer support for First National Grant/Advantage America.

25. Quantam Research
aka OTQ
quantamresearch@gmail.com

Identified in Payment Processing Center documents as outbound call center receiving wire transfers from Payment Processing Center on behalf of First National Grant.



- 26. Pinnacle Tradex PVT, Ltd.
aka OMT
Attn: Sagar
bloomsolution@yahoo.com

Identified in Payment Processing Center documents as outbound call center receiving wire transfers from Payment Processing Center on behalf of First National Grant.

- 27. Rasiwasia Impex PVT Ltd.
aka OMR
Attn: Bruce

Identified in Payment Processing Center documents as outbound call center receiving wire transfers from Payment Processing Center on behalf of First National Grant.

- 28. Lintex Infotech Ltd.
aka OML
Attn: Bruce
bruce@aexxis.com

Identified in Payment Processing Center documents as outbound call center receiving wire transfers from Payment Processing Center on behalf of First National Grant.

- 29. Bryce Payne
2399 Bella Rosa Drive
St. George, UT 84790-6164
435-674-0340
435-632-2033
associated with/employed by:
iWorks Incorporated
25 North 100 East, Ste. 102
St. George, UT 84770
435-688-0634
435-688-8032
also associated with
NuTel Wireless, Inc.
aka NuTel Technologies
47 North 100 East
St. George, UT 84790
and

[REDACTED]

435 North 1680 East #8
St. George, UT 84790
435-673-7400

Telemarketing broker for First National Grant - matches foreign call centers to clients such as First National Grant. Payne gave a false identity to the North Dakota Attorney General during this investigation and when Payne's true identity was discovered he immediately hired an attorney and offered to provide information regarding First National Grant's operation. For purposes of North Dakota investigation Payne is represented by David W. Hunter, Esq., Dixon Truman & Fisher, P.C., 20 North Main Street, Suite 205, St. George, Utah 84770, 435-652-8000.

[REDACTED]

Payne is associated with iWorks Incorporated of St. George, UT. The North Dakota Attorney General has previously investigated iWorks with respect to complaints regarding grant acquisition and career coaching scams (File No. 005171).

MYGRANTMANAGEMENT

MyGrantManagement is the second branch of the First National Grant scam. It shares several common links with First National Grant, namely a common "sales" technique and common personnel, namely Ken Gomes, Jonathan Lauer and David Yamin. Not as much is known about MyGrantManagement insofar as they profess to have made a concerted, though not entirely successful, attempt to avoid victimizing North Dakota consumers.

30. mygrantmanagement.com
aka Grant Management Network
aka First National, Ltd.
aka grantmanagementnetwork.com
aka mygrantnetwork.com
aka Lakeshore Media Group, Inc.
dba bostonsbestcasino.com
dba skysthelimitcasino.com
418 Main Street, 5th Fl.
Worcester, MA 01608
508-799-8889
(non-public office)
and

[REDACTED]

1800 JFK Blvd., Ste. 300
Philadelphia, PA 19103
(public "office," actually a mail drop)
and
1876 Clay Mountains
Kahnawake
Knowlton, Quebec J0L 1B0
(address to which mail forwarded from Philadelphia)
and
P.O. Box 5387
Deltona, Florida 32728
(previous address given to consumers)
450-633-9688
866-217-9819
866-350-7501

Mygrantmangement.com also purports to be in the government grant business and its pitch to consumers is similar to First National Grant's. The mygrantmanagement.com website was designed by Jonathon Lauer of Deltona, Florida on behalf of Jody Robert Overland of Lakeshore Media Group, Inc. in Worcester, Massachusetts. The individual in charge of the Worcester office is Joseph Mangiacotti. Also identified in corporate records as an officer and director is Nancy Purcell aka Nancy Mangiacotti. Bank records for Lakeshore Media Group, Inc. indicate payments were made to Lauer for web design and also to David Yamin for mail-handling services. When contacted, both Joseph Mangiacotti and Overland admitted to being in the grant business. Overland turned calls over to "Ed O'Neill" of MyGrantManagement in Montreal who asked that communications be sent to MyGrantManagement's "office" at 1800 JFK Blvd., Ste. 300, Philadelphia, Pennsylvania.

1800 JFK Blvd. in Philadelphia is a mail drop rented from Your Office USA by Ken Gomes in the West Indies on behalf of Grant Management Network. The contact at Your Office USA is Ellen Sahhar, 267-238-3800. Pursuant to Your Office USA's contract with Gomes, the mail was forwarded to Grant Management Network at the Kahnawake, Quebec address, to the attention of Kathy Spencer. Spencer also does business as Global Strategies. It is our understanding Spencer has had run-ins with Canadian authorities regarding alleged telemarketing fraud.

31. Nancy A. Purcell
aka Nancy Mangiacotti
58 Bacon St.
Natick, MA 01760-2903
and

[REDACTED]

65 Lake Avenue, Ste. 203
Worcester, MA 01608-1172

Identified in corporate records as sole director and officer of Lakeshore Media Group, Inc.

32. Joseph P. Mangiacotti, Jr.
65 Lake Ave., #203
Worcester, MA 01604
508-754-4198 (home)
508-734-0260 (cell)
203-203-413-3349
joe.m@charter.net

Mangiacotti operates the Lakeshore Media Group, Inc. office of MyGrantManagement in Worcester, Massachusetts. He admits to operating a grant service. He admits to working with Jody Robert Overland. He identifies Nancy Purcell as the head of Lakeshore Media Group, Inc. His other enterprises include Guardian Associates, Inc., 800-865-9866, a credit-repair, mortgage origination and health and medical discounts company, and Mandris Associates, Inc., J.J. Mann & Sons Detective and Protection Agency, Inc. and Cameo Limo. Colleagues involved in Guardian Associates, Inc. include Sharon L. Weeks, 18 Somerset St., Worcester, Massachusetts 01609, 508-363-1812, 508-579-2504.

Mangiacotti told the Attorney General that Lakeshore Media Group, Inc. also publishes a real estate magazine called Showcase of Homes and operates other websites including bostonsbestcasino.com. The website bostonsbestcasino.com automatically redirects the searcher to skysthelimitcasino.com, which is registered to Joe Mangiacotti at the 418 Main Street address. Skysthelimitcasino.com redirects you to gamblingsaloon.com, which identifies a registrant in Charlestown, Nevis, West Indies.

[REDACTED]

33. Jody Robert Overland
aka Bobby Burns
Montreal, Quebec
514-651-1609
Jodyr_overland@hotmail.com

[REDACTED]

Overland is the person from Lakeshore Media Group, Inc. who procured the mygrantmanagement.com website from Jonathan Lauer of Deltona, Florida. He is a naturalized U.S. citizen, born in Montreal.

[REDACTED]

Overland has a PhD in economics from Brown University, has had work published in highly-respected scholarly journals and was a university professor in Colorado before

[REDACTED]

Overland previously operated credit card scams as "Ed Ross Sales" with Anne Marie LeBlanc 514-994-7036, and as "Strategic Credit Solutions" or "Strategic Credit and Benefits" at 116 W. Service, P.O. Box 599, Champlain, NY 12919. Strategic Credit and Benefits has a connection with Joseph Mangiacotti/Guardian Associates, Inc. Overland previously operated a call center at 85 Notre Dame Ouest, Ste. 200, Montreal, Quebec H2Y 2W8, 514-281-1115, 514-369-6026, 866-250-6035.

[REDACTED]

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LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT

EXHIBIT

2

October 18, 2006

Grants - Reasonably Positive Identifications and Business IDs

Consumer Grants USA - 040175

Consumer Grants USA, Inc.
aka Government Grant Information Services
aka Government Grant USA
aka Government Grant Association
aka Government Grant Information
aka Government Grant Information Guide
aka Bizibi Info Tech
aka US Government Federal Grant Money
aka Government Information Service
PO Box 41094

St. Petersburg, FL 33743
727-541-1263

and

Ultimate Funding Plus Inc.
c/o Jim Lovern
1021 51st Ave.
St. Petersburg, FL 33703

and

Jim Lovern
5501 28th St. N., Ste. 33
St. Petersburg, FL 33714

and

Leo Corrigan
1021 51st Ave.
St. Petersburg, FL 33703
727-430-3225

and

Your Choice Inc.
dba Federal Government Grant Information Center
P.O. Box 41094
St. Petersburg, FL 33743

and

Customer Care Plus Inc.
c/o Karin Rohret, Registered Agent
12651 Walsingham Rd., Ste. B
Largo, FL 33774

and

3935 18th Ave. S.
St. Petersburg, FL 33711

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LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

and
Ultimate Funding Inc.
c/o Karin Rohret, Registered Agent
12651 Walsingham Rd., Ste. A/B
Largo, FL 33774
800-551-7099
727-545-7843
800-796-2499
866-714-9379

James T. Lovern
6999 Aberfeldy Ave. N.
St. Petersburg, FL 33709-1419

Your Choice - 040333
Your Choice Credit Solutions
aka Your Choice, LLC
aka Your Choice, Inc.
doing business as
Guide To Government Grants
899 South Bluff St.
St. George, UT 87470-5202
800-595-2304
800-472-2600
435-652-0834
435-862-6156
and
1740 H Del Range Blvd.
Cheyenne, WY 82009-4946
and
158 W. 1600 South #100
St. George, UT 84770-6706
and
334 Tabernacle, Suite 1
St. George, UT 84770-3392
and
Lyle G. Wood
899 South Bluff Street
St. George, UT 87470-5202

Javelin - 040378
Javelin, Inc.
334 E Kearny Ave.

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

Unit 293
Springfield, MO 65803
and
c/o Konstantinos Mantas
2628 Eglinton Ave. E., #403
Scarborough, ON M1K 2S3
and
1468 Victoria Park Ave.
Suite 102
Scarborough, ON M4A 2M2
and
43 Broadbent Ave.
Scarborough, ON M1K 4R1
877-737-3710
416-759-6930

UCC - 040452.008

Brian Brunton-Guerard
dba United Claim Centers
aka United Claim Center
aka UCC
dba Find Solutions Contract Center
aka F.S.C.C.
3700 Griffith St., Ste. 95
St. Laurent, Quebec H4T 2B3
Canada
and
3539 St. Charles Blvd., Ste. 426
Kirkland, Quebec H9H 5B9
and
3551 St. Charles Blvd., Ste. 653
Kirkland, Quebec H9H 3C4
and dba
homeshoppingnetwork.com
aka HSNetwork.com
aka HSNca
101 Cardinal Leger Street
Pincourt, Quebec J7V 9T3
and dba
Ensured Priority Service
49 St-Anne CP 116
St-Anne de Bellevue, Quebec H9X 3L4
514-223-6273
514-313-6241

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514-807-0446
514-694-5066
514-807-0580
514-223-3918
uccs@canada.com

CyberworkZ - 050096

Tracy Cox
1039 N. 1340 Circle W. #1
St. George, UT 84770-4884
435-673-1472
435-229-2289
and
Cyber Vision Software Technologies Pvt. Ltd.
aka CSTPL
dba CyberworkZ
26/3, 2nd Floor, Bowring Hospital Road
Shivajinager, Bangalore
India 560 001

and
Anzali Marketing
dba Government Information Center
c/o Tracy Cox
1039 N. 1340 Circle W. #1
St. George, UT 84770-4884
800-786-9903
and
3914 Seaton Place
Las Vegas, NV 89121-4835
and
P.O. Box 12057
Las Vegas, NV 89112-0057

GovGrants&Loans - 050105

Government Grants & Loans, Inc.
dba Government Grants and Loans
dba The Grants or Loans Association
dba Government Grant Association
dba Grant Association
dba GrantsForYou.Net
dba Government Grant Central Station
dba Government Grant Agency
dba Grants For You

CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT

dba National Grant Consulting
10820 Hammock Drive
Largo, FL 33774-4511
and
4100 E. Bay Drive
Clearwater, FL 33764-6984
and
15500 Roosevelt Blvd. #304
Clearwater, FL 33760-3430
and
611 S. Fort Harrison #366
Clearwater, FL 33756
877-408-1400
877-408-1477
877-408-1500
877-416-0639
866-416-0639
866-839-3671
866-839-3670
866-584-1157
727-535-7800
727-535-7719
727-565-4514
727-231-0691 (fax)
www.grantsorloans.com
www.nationalgrantconsulting.com
and
Crystal M. Clark
12110 92nd Ave. N.
Seminole, FL 33772-2652
and
Scott Madden
2101 Gull Lane
Safety Harbor, FL 34695-4919
Daytime Phone: 727-539-7562
Evening Phone: 727-543-6216
Evening Phone: 727-796-2025
scott@maddenzone.com

Randall Noble Romanow
aka Randy Romanow
3645 Hollow Trail Court
Palm Harbor, FL 34684-4913
727-251-8708
randy@grantsorloans.com

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

Patricia Romanow
100 Cedar Elm Drive
Safety Harbor, FL 34695-4623
Daytime Phone: 727-539-7562
Evening Phone: 727-543-6216
pat@grantsorloans.com

Mark Kotarski
10820 Hammock Dr
Largo, FL 33774-4511
Daytime Phone: 727-595-7089
Evening Phone: 727-251-8708
randy@romanow.net

All Over America, Inc.
aka Southeast Advertising, Inc.
16805 US Hwy. 19 N.
Clearwater, FL 33764-6729

Domain Names:

GRANTSORLOANS.COM
GRANTSORLOANS.NET
GRANTSORLOANS.US
MADDENZONE.COM
SCOTTMADDEN.NET
THEKOTARSKIS.COM

E-mail Addresses:

Krystal@THEKOTARSKIS.COM
Mark@THEKOTARSKIS.COM
scott@MADDENZONE.COM

Multi Media Sources

334 West Tabernacle, Ste. J
St. George, UT 84770
Attn: Rene Estevez

India Call Center Broker:

Paula Noble Brana
Dynamic Impact
39586 Ridgecrest Street
Murrieta, CA 92563-6806

India Call Center:

CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT

Digital Synergies
788 Udyog Vihar Phase V Gurgaon
Haryana, India
9899062011
Attn: Nitin Jolly

Express Grant - 050139

Roger Samara
155 Rue Davignon
Dollard-Des-Ormeaux, QC H9B 1Y4
514-223-4949

and

4055 St. Catherine St. West #145
Westmount, QC H3Z 3J8

dba

Express Grant
aka Grant Express
aka GE International
aka American Grant Services

aka AGS

aka Financial Services

aka Financial Benefits

aka Meds 4 Less

aka New Financial

aka Monass

aka usgrantseeker.com

100 A Walnut Street, Ste. 247

Champlain, NY 12919

200-560-0026

514-224-6425

514-227-6108

514-807-0091

866-217-9819

866-247-1845

866-868-6788

866-268-3860

888-877-5230

and

David Yamin

833 Sylvia Drive

Deltona, FL 32725

407-687-3040

usgrantseekers.com web designer:

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

Jonathan Lauer
1521 Ortega Avenue
Deltona, FL 32738
386-789-1500
jlauer@cfl.rr.com

GrantForYou - 050140

Grant For You
grantforyou.com
and Vincent Cataldi
3642 N. 31st Street
Phoenix AZ 85016-7009
877-773-3416
561-640-1750
561-305-9280
561-276-0075 fax
701-264-1512
aka
Premier Business Group
premierbusinessgroup.net
1730 S. Federal Hwy. #388
Delray Beach, FL 33483
561-921-0800
561-276-0075
and
100 NE 5th Ave. #B1
Delray Beach, FL 33483-5400
561-620-8625

Multi Media Sources
334 West Tabernacle, Ste. J
St. George, UT 84770
Attn: Rene Estevez

India Call Center Broker:
Paula Noble Brana
Dynamic Impact
39586 Ridgecrest Street
Murrieta, CA 92563-6806

India Call Center:
Digital Synergies
788 Udyog Vihar Phase V Gurgaon
Haryana, India
9899062011

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

Attn: Nitin Jolly

NGA - 050145

National Grant Assist
aka National Grant Assistance
aka National Grant Association
aka NGA

aka MacroMarketing Solutions
aka C.D. Consultants

Attn: Eliyya Shukeir
aka Eliyya George Shukeir
aka John Marshall

1980 Sherbrooke West
Suite 540

Montreal QC H3H 1E8

514-956-0793

514-956-0793 (fax)

866-314-5101

866-839-0225

866-939-3260

and

PO Box 682

Champlain, NY 12919

Attn: E. deSilva

and

CD Consultants

and

E. Shukeir

3484 Rue Durocher

Montreal, QC H2X 2E4

514-285-1746

Possible association with: Von Der Welt Distributions, Inc.
aka Von Der Welt, Inc.
11015 Boul Cavendish, Suite 608
Saint-Laurent, QC H4R 2H5
Attn: Christian Louis
aka Louis Christian Karim
514-956-0793
514-932-0278
www.ezworld.com
4055 St. Catherine St. West #160
Ville Westmount, QC H3Z 3J8
514-956-5442

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

877-956-5442
514-879-3201 (fax)

GGWeb - 050170

Government Grants Web Services
aka Government Grants Web
aka governmentgrantsweb.com
PO Box 42010
Montreal, QC H2W 2T3
Attn: George Favvas
866-783-2584
514-242-5730
514-907-1598
514-667-1575
and
8345 N.W. 66th Street, #7835
Miami, FL 33166-2626

mygrantmanagement.com - 050312

Lakeshore Media Group, Inc.
aka mygrantmanagement.com
aka Grant Management Network
aka First National, Ltd.
aka grantmanagementnetwork.com
aka mygrantnetwork.com
dba bostonsbestcasino.com
dba skysthelimitcasino.com
418 Main Street, 5th Fl.
Worcester, MA 01608
Attn: Nancy A. Purcell
aka Nancy Mangiacotti
58 Bacon St.
Natick, MA 01760-2903
and
65 Lake Avenue, Ste. 203
Worcester, MA 01608-1172
508-799-8889
866-217-9819
866-350-7501

Joseph P. Mangiacotti
65 Lake Ave., #203
Worcester, MA 01604

CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT

and
159 Lake Ave.
Worcester, MA 01604
508-754-4198 (h)
508-734-0260 (c)
203-203-413-3349
joe.m@charter.net

Jody Robert Overland
aka Bobby Burns
dba Strategic Credit Solutions
dba Strategic Credit and Benefits
116 W. Service
P.O. Box 599
Champlain, NY 12919
and
85 Notre Dame Ouest, Ste. 200,
Montreal, QC H2Y 2W8
Canada
514-651-1609
514-281-1115
514-369-6026
866-250-6035
Jodyr_overland@hotmail.com

Grant Management Network
1876 Clay Mountains
Kahnawake, QC J0L 1B0
Canada
Attn: Ken Gomes
268-725-6322
268-560-9814 (fax)
balhead@total.net
and
Global Strategies
Attn: Kathy Spencer
Kahnawake
Knowlton, QC J0L 1B0
450-633-9688
450-633-9688

Pennsylvania mail drop:
(Your Office USA)
1800 JFK Blvd., Ste. 300
Philadelphia, PA 19103

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

mygrantmanagement.com web designer:

Jonathan Lauer
1521 Ortega Avenue
Deltona, FL 32738
386-789-1500
jlauer@cfl.rr.com

Mail Forwarding:

David Yamin
833 Sylvia Drive
Deltona, FL 32725
407-687-3040

Grant Assistance Company - 050326.001

Grant Assistance Company
aka Grant Assistance Corporation
6355 Topanga Canyon Blvd., Ste. 300
Woodland Hills, CA 91367
Attn: Eli Cohen
and
P.O. Box 4280
Woodland Hills, CA 91365
800-785-6360
800-785-6406
800-856-9591
818-346-0020 (fax)

Grants Information Guide - 050338

Grants Information Guide
Grantsinformationguide.com
American Grant Information Department
Escape Getaways
877-709-9977
877-709-7977
866-454-4564
Nevada drop box:
(Nevada First Holdings, Inc.)
Ste. 1410
1117 Desert Lane
Las Vegas, NV 89102

Rohit Khanna

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

R.V. Planning, Inc.
1117 Desert Lane, Ste. 1395
Las Vegas, NV 89102
and
106-21A 97th Street
Ozone Park, NY 11419
702-940-0946
702-940-0922
212-852-9049 (fax)

Khanna's India telephone:
011-91-986-8510021 (cell)
011-91-112-5794591 (home)
rohitkhanna20@yahoo.com
1RICK2613@hotmail.com

Khanna's Canada address:
5077 Glencairn
Montreal, QC H3W 2B3
514-482-8044

Shiv Jauhar
E-call International Pvt., Ltd.
685/686, Phase V, Udyog Vihar
Gurgaon - 122015, Haryana
India
saajplanning@yahoo.com
marketing@saajplanning.com
reports@saajplanning.com
shiv.jauhar@e-callinternational.com
01191-981-8335359 (cell)
01191-124-5001371
01191-124-5001371 Ext. 34 (fax)

Third-Party Payment Processor:
Payment Processing Center
Attn: Michael Wiesberg
121 Friends Lane, Suite 200
Newtown, PA 18940
215-944-9100
866-944-1098
866-223-8711 (customer service)
215-944-9118 (fax)
info@paymentprocessingcenter.com

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

Saaj Planning, Inc.
dba Dream Vacation
dba Family Health Solutions
dba Tel Net Communications
Upinder Paul Singh
123-05 101 Ave., 2nd Fl.
Richmond Hill, NY 11419
and
104-25 131st St.
Richmond Hill, NY 11419
646-436-5082 (cell)
646-436-1173 (cell)
718-641-4144
718-847-0080
928-223-4637 (business fax)
877-295-3927 (Dream Vacation Customer Service)
and
Nevada drop box:
(Nevada First Holdings, Inc.)
1117 Desert Lane, Ste. 1395
Las Vegas, NV 89102

Third-Party Verification for Saaj Planning, Inc.
Voice Tronic International'
Braiden Harvey
204-982-0095

Product Supplier Saaj Planning, Inc.
Holiday Travels of America
Zach Lieberman
760-310-5252

Product Info and Verifications for Family Health Solutions:
Consumer Benefit Services
David Carlson
1620 Bond St
Naperville, IL 60563-0131
(630) 420-6200

Verifications for grantinformationguide.com
19 Communications
Matthew Russell
727-668-1100
204-668-1100

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First National Grant Plus - 050340

First National Grant Plus
aka firstnationalgrant.com
aka Advantage America
aka Advantage America, Inc.
aka Advantage America Benefits
aka americanadvantagebenefits.com
aka American Grant Information Center
aka First National Benefits
aka First Government Grants
aka First National Health Care
aka First National Health Care Benefits Ltd.
aka Titan Financial (Charlotte, NC)
aka First National Government Grants
aka AIG Limited (New York)
aka Premier Health Benefits (Florida)
aka First National Health Care Limited (Florida)
aka First National Benefits (Florida)
aka First American Benefits
aka Financial Benefits Network
aka Grant Research Marketing
aka Grant Management Network
aka Health Works
aka usgrant.com
aka usgovt.org
800-410-1682
800-279-8009
866-503-7345
866-557-0643
877-851-3466
877-851-4366
British Colonial, Center of Commerce
1 Bay Street, 3rd Floor
Suite 303
P.O. Box N-7115
Nassau, Bahamas
and
1900 Howell Branch Rd. Ste 4-7
Winter Park, FL 32792
and
2431 Aloma Ave., Ste. 158
Winter Park, FL 32792
and
1314 Lincoln Ave.
Campbell, CA 90234

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LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

and
1413 Lincoln Ave.
Campbell, CA 92034

and
Advantage America
630 Albert St.
Oshawa, ON
323-230-9576
323-230-9675

and
Advantage America
603 Albert St.
Oshawa, ON
and
2445 S. Barrington Ave.
Los Angeles, CA

Related Entity:
First American Benefits
Financial Benefits Network
Grant Research Marketing
Grant Management Network
PO Box 5387
Deltona, FL 32728-5387

Related Entity:
Easy Grants Limited
Michael Mason, Director
Chanell Sturge, Incorporator
P.O. Box 625
Charlestown, Nevis, West Indies

Related Entity:
MHF
British Colonial, Center of Commerce
1 Bay Street, 3rd Floor
Suite 303
P.O. Box N-7115
Nassau, Bahamas, West Indies

Related Entity:
Easy Step Solutions
aka ESS
119 South Palmetto Ave
Suite 154

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

Daytona, FL 32114
877-851-4363
800-657-9380
800-923-8939
easystepsolutions.com

Related Entity:
Despen Trust Limited
P.O. Box 625
Charlestown, Nevis, West Indies
869-469-1016
869-469-0826
despentrust.com

Principals of Advantage America, Inc. and MHF:
Ken Gomes
aka Ken Anthony Gomes
aka Ken Gomez
St. John's, Antigua, West Indies
268-728-8910
268-725-6322
268-560-9814 (fax)
514-667-1579
balhead@total.net

Donald Earl Nyveen
President, Advantage America, Inc.
P.O. Box F-40107
29 Fortune, Bay Point
Freeport, Bahamas, West Indies
242-373-7852
baypoint@coralwave.com

Barry Kirstein
Business Contact
515-369-0978
514-369-4738 (fax)
barry.kirstein@sympatico.ca

Rene Blouin
Technical/IT
514-849-1489
blouinr@sympatico.ca

Tasha Swensen

CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT

aka Tina David
aka Erika Roberts
Advantage America, Inc. and MHN
Customer Service
4060 Kokomo Court
Saratoga Springs, UT 84043
and
1735 W. 540
St. George, UT 84770-1633
and
73 S. 200 2
Cedar City, UT 84720-3334
and
421 S. 1275 3
Cedar City, UT 84720-4249
(801) 458-6972
(435) 674-2673
865-5876
(701) 526-0904
(866) 503-7345
(866) 890-5224 (fax)
roberts_erika@yahoo.com
erkroberts@yahoo.com

Crystal Brown
aka Christal Brown
Customer Service
758-450-1562

Nicole Bertrand
aka Susanne
Financial - wire transfers and accounting
514-369-4374
514-369-4738 (fax)
nicolebertrand2@sympatico.ca

Alec Gittens
Call Center Management
aftamafag@yahoo.com

Consultant:
David Greer
consultant@inforwest.com

Third Party Verification:

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

VoiceLog LLC
Paul Katz
7901 H. Beechcraft Ave.
Gaithersburg, MD 20879
301-921-2045

Product Supplier:
List Acquisition, Inc.
Noah Markel
David Yamin
Vincent Buonossissi
3070 Chamberlain St.
Deltona, FL 32738
386-532-3452
386-235-0497
noah@listacquisition.com

List Broker:
Beginning Again, Inc.
Jonathan Bartholomew
1426 Gulf-to-Bay Blvd. Ste. E
Clearwater, FL 33755

Third-Party Processor:
Payment Processing Center
Michael Wiesberg
Lydia Isaac
Randy Trost
Danielle Diamond
121 Friends Lane, Suite 200
Newtown, PA 18940-1897
215-944-9100
866-944-1098
215-944-9118 (fax)

Third-Party Processor:
Your Money Access
aka YMA
aka Universal Payment Solutions
fka Netchex
Attn: Marthea Baskerville
4185 W. Lake Mead Blvd., Ste. 177
Lake Mary, FL 32746
407-804-2800

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

Call centers:

Helen Television System
dba Helen IT
The Morne, Castries
Box 621
St. Lucia, West Indies
Attn: Linford Fevrier
758-450-1016
758-453-1737 (fax)
lfevrier@helenIT.com

Callworx, Inc.

Unit 8A, 8/F Hanston Building
Emerald Avenue, Ortigas Center
Pasig City, Phillipines 1605
Attn: Palo Deguzman
info@callworx.com
and
615 South Grand Avenue
Los Angeles, CA 90017
877-546-0469
213-945-5200
213-596-0496 (fax)
and
Arnold Bagabaldo
President
8378 Baldwin St. Unit F
Oakland, CA 94621
arnoldb@callworx.com
fax@callworx.com

Quantam Research
aka OTQ
quantamresearch@gmail.com

Pinnacle Tradex PVT, Ltd.
aka OMT
Attn: Sagar
bloomsolution@yahoo.com

Rasiwasia Impex PVT Ltd.
aka OMR
Attn: Bruce

Limtex Infotech Ltd.

CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT

aka OML
Attn: Bruce
bruce@aexxis.com

Telemarketing Broker:
Bryce Payne
2399 Bella Rosa Drive
St. George, UT 84790-6164
435-674-0340
435-632-2033

associated with/employed by:
iWorks Incorporated
25 North 100 East, Ste. 102
St. George, UT 84770
435-688-0634
435-688-8032

also associated with
NuTel Wireless, Inc.
aka NuTel Technologies
47 North 100 East
St. George, UT 84790
and
435 North 1680 East #8
St. George, UT 84790
435-673-7400

Mail drop box:
(Your Office USA)
15720 John J. Delaney Drive
Charlotte, NC 28277

Mail Services:
Vincent Buonassissi
386-235-0497

Mail Services:
David Yamin
833 Sylvia Drive
Deltona, FL 32725
407-687-3040

Supplier of Grocery Coupon Books to List Acquisition, Inc.:
USExpress
dba grocerysavers.com
Attn: Wally Anderson

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

Director of Marketing
The Coupon Fulfillment Center
7031 Middlebrook Pike
Knoxville, TN 37909
800-695-3636
wally@usexpress.net

Grocery Coupon Book Middleman:
Midlantic Marketing
Attn: David Sasser
750 Fentress Blvd.
Daytona Beach, FL 32114.
800-470-0876
386-274-1227
386-274-2414 (fax)
dsasser@mmsdirect.com

firstnationalgrant.com web designer:
Jonathan Lauer
1521 Ortega Avenue
Deltona, FL 32738
386-789-1500
jlauer@cfl.rr.com

Long Distance Plan for Consumers:
EZ-1-Rate.com
2050 Russett Way, Ste. 151
Carson City, NV 89703-2112
800-923-8939

Mail-order pharmacy/processor for discount health plan:
BioScrip
100 Clearbrook Road
Elmsford, NY 10523
914-460-1600
877-708-1756
bposner@bioscrip.com (Legal Dept.)

Safe Grants - 050394
Derek Lobel
8529 Lemieux St.
LaSalle, QC H8N 3B9
Canada
and

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

8529 Lemeur St.
Ville LaSalle, QC H3B 1N4
Canada
and
500 Rue de la Montagne #401
Montreal, QC H3C 4T8
Canada
dba Safe Grants
aka 4234383 Canada Inc.
aka Smart Computer Service
1980 Sherbrooke St., Ste. 825
Montreal, QC H3H 1E8
Canada
and
100A Walnut Street
Dept. 330
Champlain, NY 12919
514-777-4888
514-227-3414
514-734-5049
866-815-6632
866-815-6632
866-777-9224

Third-Party Payment Processor:
Payment Processing Center
Attn: Michael Wiesberg
121 Friends Lane, Suite 200
Newtown, PA 18940
215-944-9100
866-944-1098
866-223-8711 (customer service)
215-944-9118 (fax)
info@paymentprocessingcenter.com

GSI – 060062
GSI
GSI Grant Services
Grant Services Incorporated
PO Box 129
Champlain, NY 12919
and
33A Providence Hill
Christ Church, Barbados

**CONFIDENTIAL - ATTORNEY WORK PRODUCT AND
LAW ENFORCEMENT INVESTIGATORY WORK PRODUCT**

866-999-1896
250-271-0131

Third-Party Payment Processor:
Payment Processing Center
121 Friends Lane, Suite 200
Newtown, PA 18940
215-944-9100
866-944-1098
866-223-8711 (customer service)
215-944-9118 (fax)
info@paymentprocessingcenter.com

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PacNet Sweepstakes Client List - ND Office of Attorney General - Consumer Protection Division

EXHIBIT

2

Name	DBA
Advanced Documenting Institute	ADI
Advisory of Record	AOR
AIP	AIP
Alliance Research Awards	ARA
AME Report	AME
ANC	ANC
Atlantic Revenue Services	ARS, Department of Payout Tabulations, DPT
Authorization Request Certificate	ARC
Awardable Entitlement Pooling Systems	AEPS
Awards Payment Data Release Division or Data Release Division Office	ADRD, DRD
Awards Reporting Release Office	ARRO
Capital Awards Advisory Group	CAAG
Capital Awards Reporting Bureau	CAR
CARN	CARN
Carter Douglas & Cambridge	CDC
Cash & Awards Research Treasury	CART
Central Prize Dispatch Services	CPDS
Confirmed Prize Payment Data	CPPD
CPE Services	CPES
Elective Prize Resource Pool	EPRP
FAE	FAE
First Liberty Advisory Services	FLAS
FNA	FNA
Geller Jensen & Stein	GJS
Global Awards Reporting Service	GARS
Global Network Dispatch	GND
Global Prize Reporting Group	GPRG
Huntington Prize Reports	HPR

PacNet Sweepstakes Client List - ND Office of Attorney General - Consumer Protection Division

Sweeps Entry Submissions Service	SESS
Sweepstakes Prize Reporting Network	SPRN
United States of America Patriotism Awards	USAPA
Universal Research Associates	URA
US Sweepstakes Advisors	USSA
Valmont, Vickery & Wardell	VW, VV&W
VC	VC

GRANTS IDENTIFICATION DATABASE

Phone #	Business Name	Business Address	City	State	Zip Code	Email/Website	Date on Call Log	Bus. #	ID
866-503-4218	(FAX#)						09/30/05		
4269365	Canada Inc						10/25/05	#050381	
877-227-0453	4270096 Canada Inc.	2172 St Catherine W	Montreal	QC	H3H 1M7		03/18/05		
905-481-0855	4270096 Canada Inc.	2172 St Catherine W	Montreal	QC	H3H 1M7		03/18/05		
866-669-1222	91456467 Quebec Inc	PO Box 3236	Champlain	NY	12919-3236		10/25/05	#050225	
866-669-1222	91456467 Quebec Inc		Montreal	Qu			10/25/05	#050225	
800-410-1682	A & S Collection Associates Inc						10/25/05		
866-503-7345	Advantage America		Winter Park	FL			09/30/05	#050340	
866-503-7345	Advantage America		Nassau	Bahamas			09/30/05	#050340	
866-503-7345	Advantage America		St Lucia				09/30/05	#050340	
866-503-7345	Advantage America						10/06/05	#050340	
866-503-7345	Advantage America						10/25/05	#050340	
866-503-7345	Advantage America						10/29/05	#050340	
866-503-7345	Advantage America						09/14/05	#050340	
877-851-3466	Advantage America						09/14/05	#050340	
877-851-4366	Advantage America						11/15/05	#050340	
866-503-7345	Advantage America						10/01/05	#050340	
866-503-7345	Advantage America		Winter Park	FL			09/30/05	#050340	
866-503-7245	Advantage America - American Fidelity	1900 Howell Brand Rd Ste 4-7	Winter Park	FL	32792	www.grants.gov	10/06/05	#050340	
877-821-4363	Advantage America (US Government Research)					www.advantageamericabenefits.com	10/06/05	#050340	
	Advantage America Benefits						09/30/05	#050340	
	Advantage America Grant	1900 Howel Branch Road #347	Winter Park	FL	32792		09/07/05		
866-268-3860	AGS						JJM	#050139	
800-968-7075	American Advantage						12/27/05		
	American Advantage Federal Bank								
866-557-0643	Bank						12/19/06	#050340	
678-298-2212	American Grant	PO Box 248	New York	NY	10018-0248		JJM		
866-454-4564	American Grant	PO Box 248	New York	NY	10018-0248		JJM		
	American Grant	PO Box 248	New York	NY	10018-0248	www.grantsoilcans.com	ID#040524	#050105	
866-373-1009	American Grant Center						04/06/05		
678-298-2212	American Grant Information						TJH		
678-298-2212	American Grant Information	PO Box 248	New York	NY	10018-0248		JJM		
866-454-4564	American Grant Information						TJH		

Prepared by abieher 1/8/2007

866-454-4564	American Grant Information	PO Box 248	New York	NY	10018-0248		JJM
800-279-8009	American Grant Information Center	1314 Lincoln Ave	Campbell	CA	90234	www.usgovt.org	12/22/06
800-410-1682	American Grant Information Center	1314 Lincoln Ave	Campbell	CA	90234	www.usgrant.com	12/22/06
678-298-2212	American Grant Information Guide	PO Box 248	New York	NY	10018-0248		JJM
866-454-4564	American Grant Information Guide	PO Box 248	New York	NY	10018-0248		JJM
678-298-2210	American Grant Institute						JJM
866-268-3860	American Grant Services						JJM #050139
866-382-2682	American Resource Group	PO Box 3329	Champlain	NY	12919		07/26/05
	BBB		Scottsdale	AZ		www.data.bbb.org	02/02/05
727-545-7843	Bizibi Info Tech		St Petersburg	FL			JPT #040175
800-551-7099	Bizibi Info Tech		St Petersburg	FL			JPT #040175
800-796-2499	Bizibi Info Tech		St Petersburg	FL			JPT #040175
866-714-9379	Bizibi Info Tech		St Petersburg	FL			JPT #040175
800-644-0791	Business Development Network		Philadelphia				05/19/05
800-644-0791	Business Development Network		Orlando	FL			05/19/05
800-644-0791	Business Development Network	221 Laurel Road Ste 240	Vooreeds	NJ	8043		05/19/05
866-669-1222	Call Com						04/22/05
866-669-1222	Call Com	PO Box 3236	Champlain	NY	12919-3236		10/25/05 #050225
866-669-1222	Call Com		Montreal	QU			10/25/05 #050225
866-669-1222	Call Com						05/11/05
866-669-1222	Call Com						03/17/05
866-669-1222	CallCom Financial	PO Box 23236	Champlain	NY	12919		02/23/05
866-390-5666	Capital Grant Center	202 Pennsylvania NW Dept 642	Washington	DC	20006		06/05/05
	CAS Professionals						10/25/05 #050381
702-813-2203	CCFT Inc.		Las Vegas	NV			JPT
877-274-7571	Century Benefits	4185 W Lake Mary Blvd Ste 177	Lake Mary	FL	32773		05/26/05
888-847-2687	Commonhold Consulting	PO Box 2939	Champlain	NY	12919		12/05/06
	Consumer Grant	1320 Route 9	Champlain	NY	12919		10/13/04
727-545-7843	Consumer Grants USA Inc.		St Petersburg	FL			JPT #040175
800-551-7019	Consumer Grants USA Inc.	PO Box 41094	St Petersburg	FL	33743-1094		TJH #040175
800-551-7099	Consumer Grants USA Inc.		St Petersburg	FL			JPT #040175
800-551-7099	Consumer Grants USA Inc.	PO Box 41094	St Petersburg	FL	33743-1094		TJH #040175
800-714-9379	Consumer Grants USA Inc.	PO Box 41094	St Petersburg	FL	33743-1094		TJH #040175
800-796-2496	Consumer Grants USA Inc.	PO Box 41094	St Petersburg	FL	33743-1094		TJH #040175
800-796-2499	Consumer Grants USA Inc.		St Petersburg	FL			JPT #040175
800-796-2499	Consumer Grants USA Inc.	PO Box 41094	St Petersburg	FL	33743-1094		TJH #040175

800-951-7099	Consumer Grants USA Inc.	PO Box 41094	St Petersburg	FL	33743-1094	TJH	#040175
866-714-9379	Consumer Grants USA Inc.		St Petersburg	FL		JPT	#040175
877-277-0453	Credit Repair & Gov't Grants & Loans					03/18/05	
905-481-0855							
727-545-7843	Customer Care Plus Inc.		St Petersburg	FL		03/18/05	#040175
800-551-7099	Customer Care Plus Inc.		St Petersburg	FL		JPT	#040175
800-796-2499	Customer Care Plus Inc.		St Petersburg	FL		JPT	#040175
866-714-9379	Customer Care Plus Inc.		St Petersburg	FL		JPT	#040175
800-796-9903	Cyberworkz	26/3 2nd Fl BH; Shivaji Nagar	Bangalore	India	560 001	01/26/05	#050096
209-856-3612	DCS					05/25/05	
800-923-8939	EasyGrant			NY		10/28/05	
200-560-0026	EasyOneRate.com					10/25/05	#050340
	Express Grant	100 A Walnut St Ste 3247	Champlain	NY		04/12/05	#050139
727-545-7843	Federal Government Grant						
800-551-7099	Information Center		St Petersburg	FL		JPT	#040175
800-796-2499	Federal Government Grant		St Petersburg	FL		JPT	#040175
866-714-9379	Federal Government Grant		St Petersburg	FL		JPT	#040175
	Federal Government Grants		Miami	FL		01/12/06	
	Federal Government Grants		Miami	FL		01/12/06	
888-879-1548	Federal Grant Commission					03/16/05	
905-509-9505	Federal Grant Commission					01/18/06	
701-527-9901	Federal Government					04/16/06	
310-491-9386	Financial Assistance Services					12/19/05	
800-968-7075	Financial Assistance Services					12/27/05	
	Financial Services			UT		05/09/05	
866-369-1322	First Coast Funding					JJM	
866-369-1322	First Coast Funding System					JJM	
	First Coast Systems	4400 Scottsdale RD		AZ			
	First Government Grants					06/15/05	
800-410-1682	First Government Grant					08/02/05	#050340
800-410-1682	First National Benefits		Charlotte	NC		04/30/05	#050340
800-410-1682	First National Benefits	15720 John J Delaney Ste 300	Charlotte	NC	28277	06/14/05	#050340
800-410-1682	First National Benefits	7011 NW 87th Ave #1038	Miami	FL	33178	05/23/05	#050340
800-410-1682	First National Benefits					07/12/05	
800-657-9307	First National Benefits		Charlotte	NC		04/30/05	
800-657-9307	First National Benefits	15720 John J Delaney Ste 300	Charlotte	NC	28277	06/14/05	
	First National Benefits					05/02/05	
	First National Benefits					05/03/05	

800-410-1682	First National Benefits								06/15/05	#050340
800-657-9307	First National Government Grants		Charlotte	NC					04/30/05	
866-503-7345	First National Government Grants		Charlotte	NC					04/30/05	#050340
800-410-1682	First National Grant Plus								11/09/05	#050340
800-410-1682	First National Grant.Com								08/08/05	#050340
866-314-5101	First National Grants								08/08/02	#050340
800-410-1682	First National Health Care								04/29/05	#050340
	First National Healthcare Plan								06/15/05	
800-691-0210	Forrest National		Miami	FL					05/23/05	#050340
866-699-1222	G.A. Financial Group		Stanton	CA					03/08/05	
800-930-5845	G.E.								05/10/05	
514-227-3680	Gateway Grant Fund		Irvine	CA					05/20/05	
866-247-1845	GE International		New York City	NY					05/04/05	#050139
	GE International		New York City	NY					05/03/05	#050139
866-247-1845	GE International								04/12/05	#050139
888-877-5230	GE International		Champlain	NY					04/12/05	#050139
877-995-9923	Government Assistance Programs & Subsidies		Washington	DC					ID#026250	
813-774-4769	Government Grant Agency		St Petersburg	FL					TJH	
877-408-1500	Government Grant Agency		Clearwater	FL					03/08/05	
678-298-2212	Government Grant Association		Clearwater	FL					01/27/05	#050105
727-565-4514	Government Grant Association								JJM	
800-634-2979	Government Grant Association		St George	UT					03/24/05	#050105
800-796-2499	Government Grant Association		St George	UT					01/26/05	
800-796-2499	Government Grant Association		St George	UT					JPT	#040175
866-216-6198	Government Grant Association		Clearwater	FL					03/31/05	#040175
866-384-8185	Government Grant Association								JJM	
866-416-0639	Government Grant Association								TJH	#050105
877-408-1400	Government Grant Association								01/04/05	#050105
877-408-1400	Government Grant Association								03/28/05	#050105
877-408-1477	Government Grant Association								JJM	#050105
	Government Grant Association								02/28/05	#050105
	Government Grant Association		Clearwater	FL					03/28/05	

877-408-1400	Government Grant Central Station							01/21/05	#050105
877-408-1400	Government Grant Central Station							JJM	#050105
866-555-1515	Government Grant Department							10/24/06	
800-999-9999	Government Grant Dept.	304 Roosevelt Blvd	FL			33762		04/21/05	
800-551-7099	Government Grant Information							TJH	#040175
800-796-2499	Government Grant Information							TJH	#040175
	Government Grant Information	5058 68th St	FL			34706			
800-551-7019	Center							TJH	
	Government Grant Information								
800-530-4282	Guide	5058 66th St	FL			33709			
800-551-7099	Government Grant Information							TJH	#040175
	Government Grant Information	5058 66th St	FL						
800-796-2496	Guide	5058 66th St	FL					TJH	#040175
	Government Grant Information								
727-545-7843	Services							TJH	#040175
800-551-7099	Government Grant Information							JPT	#040175
800-551-7099	Government Grant Information							JPT	#040175
800-551-7099	Government Grant Information							TJH	#040175
	Government Grant Information								
800-551-7099	Services							JPT	#040175
	Government Grant Information								
800-796-2499	Services							JPT	#040175
	Government Grant Information								
866-714-9379	Services							JPT	#040175
800-951-7099	Government Grant Processing							JPT	#040175
727-545-7843	Government Grant USA							TJH	
800-551-7099	Government Grant USA							JPT	#040175
800-796-2499	Government Grant USA							JPT	#040175
866-714-9379	Government Grant USA							JPT	#040175
514-227-6183	Government Grants							05/25/05	
866-416-0639	Government Grants & Loans							01/20/05	#050105
877-227-0453	Government Grants & Loans							03/18/05	
905-481-0855	Government Grants & Loans							03/18/05	
877-408-1400	Government Grants & Loans							JJM	#050105
877-408-1400	Government Grants & Loans Inc.							JPT	#050105
								www.grantinfo.com	
877-408-1400	Government Grants & Loans Inc.							www.grantinfo.com	#050105

877-408-1400	Government Grants & Loans Inc.	4100 East Bay Dr	Clearwater	FL	33764			04/13/05	#050105
877-416-0639	Government Grants & Loans Inc.	206 Dermal Dr	George	UT	84105			04/13/05	#050105
866-783-2584	Government Grants Web	PO Box 42010	Montreal	Quebec	H2W 2T3		www.governmentgrantsweb.com	05/09/05	#050170
800-786-9903	Government Information Center							JJM	#050096
800-786-9903	Government Information Center								#050096
866-714-9379	Government Information Service							TJH	#040175
866-339-4411	Government Information Service							TJH	
866-839-3200	Government Treasury Dept.							12/05/05	
	Grant America							09/21/04	
800-397-4183	Grant Assistance Company							08/10/05	#050326
800-785-6360	Grant Assistance Company							08/10/05	#050326
800-856-9591	Grant Assistance Company							08/10/05	#050326
800-856-9591	Grant Assistance Company							08/10/05	#050326
800-860-2187	Grant Assistance Company							08/10/05	#050326
800-785-6360	Grant Assistance Corporation	PO Box 4280	Woodland Hills	CA	91365		www.grantsforyou.net	05/25/05	#050326
866-416-0639	Grant Association							JJM	#050105
877-408-1400	Grant Association	1550 Roosevelt Blvd	Clearwater	FL	33760			04/20/05	#050105
	Grant Company	206 Dermal Dr	St George	UT				04/21/05	
	Grant Express	100A Walnut St #247	Champlain	NY	12919			04/20/05	#050139
	Grant Express							03/28/05	
701-264-1512	Grant For You		Phoenix	AZ				04/21/05	#050140
877-713-3416	Grant For You			FL				04/21/05	#050140
	Grant Management Network		Delfona	FL			www.usgrantseeker.com	04/27/05	#050139
	Grant People Inc (The)	4550 W Oakley Blvd #111	Las Vegas	NV	89102			09/27/06	
866-999-1896	Grant Service Incorporated							05/16/05	#060062
	Grant-Loan-Approval						www.GovernmentMoneySearch.com	11/09/05	
866-454-4564	Grants America	105-21A 973	Ozone Park	NY	11417			03/21/05	
877-416-0639	Grants For You	206 Dermal Dr	George	UT	84105			04/13/05	#050105
877-773-3416	Grants For You	206	St George	UT			www.grantforyou.com	04/11/05	#050140
877-773-3416	Grants For You							04/12/05	#050140
	Grants for You		Delray Beach	FL				04/28/05	
877-773-3416	Grants4U	206	St George	UT			www.grantforyou.com	04/11/05	#050140
	Grants4U							04/11/05	
866-416-0639	Grantsforyou.Net							01/20/05	#050105
877-709-9977	GrantsInformationGuide.com	1187 Desert Lane	Las Vegas	NV	89002			08/31/05	#050338
802-681-4147	GSI							02/28/06	
866-999-1896	GSI							09/27/05	#060062
250-271-0131	GSI, Grant Services Inc.	PO Box 129	Champlain	NY	12919			10/28/05	#060062

250-271-0131	GSI, Grant Services Inc.	33A Providence Hill	Christ Church	Barbados					10/28/05	#060062
866-999-1896	GSI, Grant Services Inc.	PO Box 129	Champlain	NY	12919				10/28/05	#060062
866-999-1896	GSI, Grant Services Inc.	33A Providence Hill	Christ Church	Barbados					10/28/05	#060062
435-652-0834	Guide to Government Grants		Cheyenne	WY					JPT	#040333
435-652-0834	Guide to Government Grants		St George	UT					JPT	#040333
435-862-6156	Guide to Government Grants		Cheyenne	WY					JPT	#040333
435-862-6156	Guide to Government Grants		St George	UT					JPT	#040333
800-530-4282	Guide to Government Grants								04/13/05	
800-595-2304	Guide to Government Grants		Cheyenne	WY					JPT	#040333
800-595-2304	Guide to Government Grants		St George	UT					JPT	#040333
	IBS								05/17/05	
866-999-1896	Independent Organization for US Grants								05/01/05	#060062
800-915-5768	Information on Federal Programs	170-5505 Connecticut Ave NW	Washington	DC					04/27/05	
416-759-5930	Javelin Inc.		Springfield	MO					JPT	#040378
416-759-5930	Javelin Inc.		Scarborough	Ontario					JPT	#040378
877-737-3710	Javelin Inc.		Springfield	MO					JPT	#040378
877-737-3710	Javelin Inc.		Scarborough	Ontario					JPT	#040378
866-314-3910	Kensington Consulting	200 East Greaves Ave	Orange City	FL	32763				07/01/05	
800-731-7490	Lincoln Financial Grants Consulting								09/30/05	
866-939-3260	MacroMarketing Solutions Inc.									#050145
866-350-7501	Money Wizard								11/09/05	
	Mygrantmanagement.com	PO Box 5387	Dellona	FL	32728				07/01/05	
	National Government Grant Center								08/02/05	
866-939-3260	National Grant Assist								04/12/05	#050145
866-314-5101	National Grant Assistance								04/21/05	#050145
866-314-5101	National Grant Association	PO Box 682	Champlain	NY	12919				04/01/05	#050145
866-314-5101	National Grant Association	PO Box 682	Champlain	NY	12919				04/20/05	#050145
866-314-5101	National Grant Association	PO Box 682	Champlain	NY	12919				04/21/05	#050145
866-839-0225	National Grant Association	PO Box 682	Champlain	NY	12919				04/20/05	
773-545-5900	National Grant Conference	803 West Ave Ste 209	Rochester	NY	14611				ID#005120	
866-416-0639	National Grant Consulting	611 S Fort Harrison #366	Clearwater	FL	33756				02/16/05	#050105
866-584-1157	National Grant Consulting	611 S Fort Harrison #366	Clearwater	FL	33756				02/16/05	#050105
866-839-3670	National Grant Consulting	611 S Fort Harrison #366	Clearwater	FL	33756				02/16/05	#050105
866-839-3671	National Grant Consulting	611 S Fort Harrison #366	Clearwater	FL	33756				02/16/05	#050105

	National Grant Consulting	611 S Fort Harrison #366	Cleawater	FL	33756		02/16/05	#050105
	National Grant Consulting	3042 N 31st St	Phoenix	AZ	85016		02/16/05	#050105
	National Grant Consulting	611 S Fort Harrison #366	Cleawater	FL	33756	www.nationalgrantconsulting.com	02/16/05	#050105
866-634-5648	National Grant Services	125 Bakers Dr	Brooklyn	NY	11208	www.nationalgrantservice.com	02/24/06	
888-870-8313	National Grant Services		Toronto	Canada			T,JH	
800-386-1172	North American Grant Service		Champlain	NY			04/27/05	
866-739-7338	Popular Grants		Champlain	NY			12/07/06	
866-739-4494	Popular Grants		Champlain	NY			09/25/06	
??-733-4494	Potomac Fidelity Group	PO Box 3329	Champlain	NY	12919-3329		09/25/06	
800-935-4592	Safe Grants		Champlain	NY			10/27/05	
866-815-5632	Safe Grants	100 Walnut Ste 672	Champlain	NY			10/27/05	
866-815-5632	Security Grants		Tampa	FL			05/30/06	
866-236-4980	The Grants or Loan Association		Cleawater	FL			09/16/05	#050105
877-408-1400	The Grants or Loan Association		Cleawater	FL		www.grantsorloans.com	JPT	#050105
877-408-1400	The Grants or Loan Association		Largo	FL		www.grantsorloans.com	JPT	#050105
877-408-1400	Titan Financial						06/15/05	
727-545-7843	Ultimate Funding Inc.		St Petersburg	FL			JPT	#040175
800-551-7099	Ultimate Funding Inc.		St Petersburg	FL			JPT	#040175
800-796-2499	Ultimate Funding Inc.		St Petersburg	FL			JPT	#040175
866-714-9379	Ultimate Funding Inc.		St Petersburg	FL			JPT	#040175
727-545-7843	Ultimate Funding Plus Inc.		St Petersburg	FL			JPT	#040175
800-551-7099	Ultimate Funding Plus Inc.		St Petersburg	FL			JPT	#040175
800-796-2499	Ultimate Funding Plus Inc.		St Petersburg	FL			JPT	#040175
866-714-9379	Ultimate Funding Plus Inc.		St Petersburg	FL			JPT	#040175
	United Consultants of America						11/02/06	
866-420-7171	United Consumer Grants						12/06/05	
585-404-1123	United Grant Services	125 Baker Dr	Brooklyn	NY	11208		03/30/05	
866-844-1893	United Grant Services	125 Baker Dr	Brooklyn	NY	11208		03/30/05	
866-844-8193	United Grant Services						04/28/05	
	United Service Corporation						12/22/06	
770-444-0391	United Services		Atlanta	GA			10/12/05	
866-384-8185	United Services						05/11/05	
	United Services						09/22/05	
866-384-8185	United Services Inc.	108A Walnut St #330	Champlain	NY	12919		01/11/06	
866-384-8185	United Services Inc.						01/11/06	
	United Services Incorporated						08/31/05	
800-827-6655	United Services Safe Grant						09/15/05	
866-815-6633	United Services Safe Grant						09/15/05	
727-450-7607	United States Gov. Ideas						09/07/05	

800-551-7099	US Federal Grant Department	PO Box 41802	St Petersburg	FL	33473		04/12/05	#040175
866-503-0904	US Government Federal Grant							
866-454-1950	Money							
888-870-9213	US Government Grant							
877-851-4363	Application Dept.						11/10/05	
518-298-1000	US Government Grant Division						JJM	
866-885-7828	US Government Grant Division							
800-339-2817	US Grant							
800-410-1682	US Grant Resources	PO Box 53424	New Orleans	LA	70153-3424		10/06/05	#050340
866-352-3190	US Grant Seekers	8350 Whilshire Blvd Ste 200	Beverly Hills	CA	90211		10/28/05	
866-894-6947	US Grants		Delray Beach	FL			ID#026421	#050340
866-984-6947	US Treasury Dept.						08/08/02	
773-649-3112	USI Services						04/28/05	
866-978-5426	USI Services						01/11/06	
866-978-0962	Vegas Direct						01/10/06	
435-652-0834	Vintage Grants USA						02/03/06	
435-652-0834	Your Choice Credit Solutions						02/03/06	
435-862-6156	Your Choice Credit Solutions						11/15/05	
435-862-6156	Your Choice Credit Solutions						JPT	#040333
800-595-2304	Your Choice Credit Solutions						JPT	#040333
800-595-2304	Your Choice Credit Solutions						JPT	#040333
727-545-7843	Your Choice Credit Solutions						JPT	#040333
800-551-7099	Your Choice Inc.						JPT	#040175
800-796-2499	Your Choice Inc.						JPT	#040175
866-714-9379	Your Choice Inc.						JPT	#040175
435-652-0834	Your Choice LLC						JPT	#040333
435-652-0834	Your Choice LLC						JPT	#040333
435-862-6156	Your Choice LLC						JPT	#040333
435-862-6156	Your Choice LLC						JPT	#040333
800-595-2304	Your Choice LLC						JPT	#040333
800-595-2304	Your Choice LLC						JPT	#040333
877-274-7571	Your Money Access						JPT	#040333
201-484-7322							05/26/05	
254-631-7917							03/08/05	
440-009-2022							11/05/05	#050340
500-875-7435							11/08/05	
							JJM	

500-876-7423									JJM	#050139	
514-224-6425									www.usgrantseeker.com	04/12/05	#050139
514-227-6185									www.usgrantseeker.com	04/12/05	#050139
514-807-0091									www.usgrantseeker.com	04/12/05	#050139
514-904-2388										05/26/05	
585-484-1124										05/13/05	
770-444-0391										09/12/05	
770-444-0391										08/16/05	
800-166-3428										09/30/05	
800-357-9251										02/07/06	#040175
800-410-8612										03/21/05	#050340
800-551-7099											#040175
800-796-2499										02/07/06	#040175
800-909-3912										JJM	
866-216-6918										03/21/05	
866-217-9819									www.usgrantseeker.com	04/12/05	#050139
866-247-1845										04/13/05	#050139
866-288-1509										03/21/05	
866-288-1509										03/02/05	
866-384-8185										12/22/06	
866-385-2468										01/26/06	
866-454-7858										JJM	
866-714-9379											#040175
866-815-6633										09/12/05	
866-844-8193										05/13/05	
866-868-6788										JJM	#050139
866-868-6788										04/13/05	#050139
877-227-6952										02/07/06	#040175
877-408-1400										02/14/05	#050105
877-408-1400										TJH	#050105
877-408-1400										JJM	#050105
888-557-0643										JJM	#050105
954-421-0712										09/30/05	
									www.grantsorbans.com	JJM	#050105
									www.usgrantseeker.com	04/11/05	#050139
514-227-8391										10/26/06	
514-905-0214										10/26/06	
460-297-5460										10/26/06	
514-904-1630										12/06/06	

SB2040 AH #2

**SCAMS, SHAMS
AND
FLIM-FLAMS!**

A Guide to Avoiding
Common Consumer Rip-Offs

Contact attorney General for copy



Office of Attorney General

HOUSE JUDICIARY COMMITTEE
DUANE L. DEKREY, CHAIRMAN
FEBRUARY 21, 2007

TESTIMONY BY
PARRELL D. GROSSMAN
DIRECTOR, CONSUMER PROTECTION AND ANTITRUST DIVISION
OFFICE OF ATTORNEY GENERAL
IN SUPPORT OF
ENGROSSED SENATE BILL NO. 2040

Mr. Chairman and members of the House Judiciary Committee. I am Parrell Grossman, Director of the Attorney General's Consumer Protection and Antitrust Division. I appear on behalf of the Attorney General in support of Engrossed Senate Bill 2040.

This legislation was formulated by and ultimately introduced on behalf of the Judicial Process Interim Committee. I recognize in this committee many familiar faces from that interim committee. That committee was interested in developing hallmark legislation that would provide our state with enforcement tools to meet and combat constantly evolving consumer fraud. The Attorney General agrees that Senate Bill 2040 is just that legislation.

This legislation provides the Attorney General with critical statutory authority to protect North Dakota consumers and businesses from con artists, crooks, and dishonest individuals who engage in fraudulent or deceptive acts or practices, while utilizing third parties to assist and facilitate the fraud. Con artists aren't satisfied with fleecing consumers. The consumer protection division is experiencing a huge increase in fraud targeting our small North Dakota businesses, including using fraudulent credit cards to purchase expensive goods that have already been shipped, selling worthless regulatory posters that are free from the government, selling worthless yellow pages or other directory advertising, overpriced, junky office supplies, and phony invoices for goods or services not properly ordered or authorized, or non-existent, to name a few of the deceptive practices. In one small North Dakota community an office equipment business shipped approximately ten computers out-of-state and discovered a few days later the credit card charges were reversed because the credit card was fraudulent or stolen.

Consumer fraud schemes have diversified their operations in order to effectively and efficiently cheat, deceive, and steal from consumers. The schemes are more sophisticated and complex, requiring perpetrators to obtain the help or services of third parties to assist and facilitate them in stealing millions of dollars from consumers, including North Dakota consumers.

Telemarketing fraud is often the most visible; fraud, however, is not limited to telemarketing. This legislation is designed to combat all consumer fraud, not just telemarketing. This legislation is not aimed at a spectrum of technology such as the

telephone or Internet; it is aimed a category of conduct, "consumer fraud." For instance, door-to-door or other personal solicitations of fraudulent investment schemes are just as harmful to vulnerable, elderly consumers as a telemarketing scam.

Telemarketing fraud, however, is an excellent example of the numerous shared roles and participants in a fraudulent operation. Please note that peeling back the onion to determine the existence and roles of all the parties involved is very time-consuming and resource intensive. It can take many subpoenas and hours to locate and identify all the parties assisting in the fraud and these individuals or entities should not be permitted to retain the illegal proceeds while shielding the parties that seem to be directly engaged in the fraudulent conduct.

Many con artists are now located in Canada and other international locations such as the West Indies, India, etc. where they evade prosecution in North Dakota and elsewhere in the United States. They commit consumer fraud through telemarketing, the Internet, and the mail. The telemarketing boiler rooms, Internet servers, and records, if any, are all located outside the United States. Many of these con artists never appear in the United States to avoid civil and/or criminal prosecution by federal and/or state law enforcement authorities. Nonetheless, they employ entities such as "third-party processors" ("TPPs"), or third-party payment processors in order to facilitate and perpetrate the fraud. These third party processors are not directly engaged in the fraudulent solicitations, but they are critical to the completion of the fraud.

The telemarketing fraud industry is largely dependent upon TPPs, which are businesses that handle the mechanics of taking money out of consumers' bank accounts and transferring that money to the fraudulent telemarketers. In a way, they are the fraudulent telemarketers' banking system and in some cases, money launderers. Internet and other scams use these same payment processes. It is not an exclusive payment system for telemarketing.

These TPPS should not be confused with the legitimate banks and financial institutions who merely make payments from consumers bank accounts without any knowledge of the nature of the transaction, and would have no way of knowing the transactions weren't authorized or weren't legitimate. These banks often are victims of the fraudulent activity.

Once the telemarketers have obtained the necessary information from the consumers – usually bank account and routing numbers – the information is passed along to TPPs. TPPs then use the numbers to generate paper demand drafts, which are signature-less checks processed by banks the same as a check you write out from your own checkbook, or to process ACH (Automated Clearing House) transactions, which are essentially electronic orders to take money from one account and transfer it to another – examples would be direct deposit of your paycheck or monthly premiums paid out of your bank account to your insurance company.

The demand drafts processed may be made payable to the fraudulent entities that created the scheme but are actually deposited into a TPP account. The TPP then deducts its service fees, makes payments directly to the perpetrator's vendors *i.e.* call centers, list brokers, lawyers, voice-verification companies, etc., and then wires the remaining amounts to the perpetrators. Frequently these transfers are to foreign or overseas accounts, making recovery virtually impossible.

TPPs often take a very active role in the business operations of their clients – down to reviewing sales scripts, handling consumer complaints, monitoring sales calls, making payments directly to their clients' vendors and accepting payments on behalf of their clients. The fraudulent operations are a “golden goose” for the TPPs, who otherwise might not have any legitimate clients.

Earlier this year, the U.S. Attorney in Philadelphia, acting on behalf of the U.S. Postal Inspection Service, filed suit against a Pennsylvania third-party processor and seized bank accounts upon a finding of probable cause that the TPP was engaged in mail fraud, wire fraud, and violations of banking laws along the lines just described herein. In that case, in one 8-month period the TPP successfully processed \$57.9 million in transactions, with most of those proceeds paid to the TPP, its principals, fraudulent telemarketers and vendors. During that same period transactions totaling another \$84.1 million were attempted, but were unsuccessful for various reasons such as insufficient funds in the transferring account or because the consumers were able to notify their bank to stop the fraudulent transaction.

In many schemes the original fraudulent party makes the deceptive or illegal sales pitch, but the money is sent to a TPP that collects millions of dollars for the fraudulent party, retains its lucrative share, and then forwards payment to its “client,” who often is located in Canada, the West Indies, or some other foreign country. Of course the original fraudulent parties have effectively insulated themselves from law enforcement officials such as the Attorney General of North Dakota. There are many hurdles to locating and prosecuting fraudulent parties located outside the United States.

Therefore, Attorney General Stenehjem is aggressively investigating third parties that facilitate fraudulent activity and attempting to collect restitution on behalf of North Dakota victims. He, however, wants to ensure he has clear legal authority to enjoin and prosecute third parties, as well as obtain restitution for North Dakota victims.

Telemarketers and Internet scam artists are engaging in fraudulent government grant scam solicitations and have contacted hundreds of North Dakota consumers offering bogus government grants ranging from \$8,000 to \$200,000 for processing fees ranging from \$49 to \$299.99. The Attorney General has issued approximately twelve Cease and Desist Orders against such fraudulent grant scam companies, many which are located in Canada or elsewhere outside the United States.

In one instance the Attorney General suggested possible legal action against a third party payment processor in Pennsylvania. As a result, he recovered approximately

In one instance the Attorney General suggested possible legal action against a third party payment processor in Pennsylvania. As a result, he recovered approximately \$11,200 in refunds for approximately 90 grant scam victims in North Dakota. (These are only consumers whose monies were processed by that single third party processor, and these are not the only victims of the grant scams.) The Attorney General recovered these refunds because that entity knew the Attorney General clearly understood its role in the wrongful conduct.

Therefore, the Attorney General would like clear legislation authorizing him to take enforcement action against third parties that facilitate or assist others whom are initially more directly engaged in the fraudulent conduct. This legislation is not a substitute to prosecuting the individuals directly engaged in fraud, who will remain the primary target of enforcement actions; however, it will supplement the Attorney General's ability to obtain justice for our victims.

Federal law already provides authority to take enforcement action against persons engaged in facilitating or assisting fraudulent telemarketers or sellers. The specific legislation is the federal Telemarketing Sales Rule, 16 CFR section 310.3(b), which reads as follows:

"Assisting and facilitating. It is a deceptive telemarketing act or practice and a violation of this Rule for a person to provide assistance or support to any seller or telemarketer when the person knows or consciously avoids knowing that the seller is engaged in any act or practice that violates section 310.3(a), (c), or (d.), or section 310.4 of this Rule."

Fraud, and particularly telemarketing fraud, is not usually the result of one bad actor working alone. It typically requires the cooperation of a network of several different entities, each with its own role to play, and each an essential link in the chain. In addition to the fraud mastermind there are the telemarketing boiler rooms to make the calls, the list brokers who generate and sell leads or "sucker lists," the fulfillment company which sends out the bogus paperwork or worthless product, the TPP to handle the money and so forth. The fraudsters benefit from this fragmentation, which is designed to make it more difficult to identify the wrongdoers and stop the fraud.

A common defense frequently heard by the Attorney General's Office is: "We are just third-party processors/fulfillment companies/call centers for the bad guys, we're not the bad guys ourselves." The reality is that those who assist and facilitate the wrongdoers should be liable for the violation they make possible through their efforts and for which they are financially rewarded.

On the other hand, some of the parties facilitating the fraud can be quite difficult or uncooperative. For instance, we recently were, for the third time, dealing with a California-based "call broker" who appears to specialize in matching up grant-scam operators in the United States with call center boiler rooms in India. Investigations into three separate bogus grant telemarketing schemes targeting North Dakotans have disclosed a common thread - all three scams take place over telephone lines leased by

or affiliated with the call broker. The broker - through her Colorado attorney, a former Federal Trade Commission attorney who now specializes in defense of consumer cases - claims the broker merely serves as a matchmaker, connecting people seeking telemarketing services with those who can provide them. The broker denies responsibility for her customers' wrongdoing, even though the evidence and contacts with this Office, establish she is fully aware of the fact that her clients are running illegal operations made possible by the sale of her services. She is directly profiting from her clients' illegal activities. Efforts to obtain information regarding the third scam have, so far, been unsuccessful.

Attached Exhibit 1 is a law enforcement report prepared by the Consumer Protection Division detailing its investigation in a particular bogus grant scheme. It identifies the roles of parties that assist or facilitate the fraud such as the third-party payment processors, call center brokers who arrange for the telephone lines for the fraudulent boiler rooms, and the fulfillment companies who offer the bogus products such as coupons and long-distance plans.

Telemarketers are not the only schemes that use other entities or parties to help facilitate the fraud. Third parties assist in fraudulent sweepstakes mail solicitations. Many consumers pay thousands of dollars to try and win bogus sweepstakes sent to them in the mail. TPP's process the consumers' payments. In the last year or we have worked with many consumers who sent thousands of dollars to these companies. The payments were sent to or processed by Pacific Network ("PacNet"), a payment processor in Canada that clearly facilitated this fraud. Attached as Exhibit 2 is a spreadsheet identifying over 60 sweepstakes entities that all are siphoning off funds in North Dakota, primarily from elderly consumers, through PacNet, a TPP. This fraud did not involve telemarketing.

The Attorney General recently settled a case against a business directory company using promotional check solicitations. In this instance a generic "yellow page" company, offered "yellow-page" advertisements in both print and on-line directories. The solicitations were conducted through "live" activation or promotional checks sent through the mail. Businesses receive the small checks, usually for about \$3.50. On the back of the checks in fine print above the endorsement line, is language stating that by depositing the check the recipient is agreeing to purchase advertising in a print or online directory. The fine print also authorizes another entity to bill the North Dakota businesses the monthly or annual fees in advance. The charges, for example, might be \$39.99 a month, or \$199 a year. Attached is a sample promotional check solicitation.

These promotional check solicitation companies trick a business into unwittingly purchasing advertising services that the business did not intend to authorize and would not consider worthwhile if the business actually reviewed the services offered or provided. Most, if not all, of the businesses that file complaints with our office, or that we contacted during our investigations, have no idea they "purchased" such services or otherwise were not aware they were advertising in these directories. Some of these North Dakota businesses have been paying the advertising fees for months, or even

years. Businesses simply routinely stamp or endorse these checks without realizing they are authorizing the services and the billing of the fees.

From January 1, 2001 to August, 2006, the yellow pages directory company sent 171,311 checks into North Dakota. 4753 checks were cashed by North Dakota businesses. YP.com received 1984 requests to cancel accounts. This was a deceptive practice with a significant impact on small North Dakota businesses.

The billing entity was not involved in the original deceptive solicitations, but certainly facilitated the deceptive practice by providing the billing services.

In another similar deceptive practice involving a different directory company, over 60,000 checks were sent to North Dakota businesses between January 1, 2003 and October 21, 2005, 1,010 were cashed, resulting in billed charges to North Dakota businesses of approximately \$181,000. 276 businesses paid this company \$40,000 for these advertisements.

Despite Attorney General Stenehjem's strong commitment to consumer fraud education and prevention of consumer fraud, as well as diligent enforcement prosecutions of consumer fraud violations, we will never be able to prevent consumer fraud. However, as con artists and thieves use innovations in technology and schemes to cheat and trick North Dakota victims out of hundreds of thousands of dollars, and then evade prosecution by locating themselves outside our reach, the Attorney General, too, must ensure this Office has the most effective tools necessary to do everything possible to prosecute consumer fraud and protect North Dakota consumers.

This legislation incorporates the "conscious avoidance doctrine" as the standard of conduct. There is substantial case law defining "conscious avoidance." One such definition of the "conscious avoidance doctrine" provides that the defendant's knowledge of existence of a particular fact may be inferred if the person is aware of a high probability of its existence. This is a concept repeated in numerous other cases. This is the standard currently provided in the similar federal law as well as North Dakota's "spam law." The Attorney General worked closely with the North Dakota Banker's Association in including an appropriate standard of conduct for parties facilitating or assisting in deceptive acts or practices and agreed upon the standard of "consciously avoids knowing." The NDBA supports this legislation.

The Attorney General respectfully asks the Senate Judiciary Committee to give Engrossed Senate Bill 2040, a "Do Pass" recommendation.

Thank you for your time and consideration. I would be pleased to try and answer any questions.

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CHAPTER 51-15 UNLAWFUL SALES OR ADVERTISING PRACTICES

51-15-09. Claims not barred. The provisions of this chapter do not bar any claim for relief by any person against any person who has acquired any moneys or property by means of any practice declared to be unlawful in this chapter. If the court finds the defendant knowingly committed the conduct, the court may order that the person commencing the action recover up to three times the actual damages proven and the court must order that the person commencing the action recover costs, disbursements, and actual reasonable attorney's fees incurred in the action.