



The Consumer Connexion



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STARTING YOUR OWN BUSINESS

Start-up advice and unusual cash sources for your business venture

FORMING YOUR BUSINESS

Deciding what form your business should take is a tremendous challenge. It is also very important because of the many legal and tax implications. Each state has different laws that govern businesses. Here is a brief review of various forms that you can choose for your business.

SOLE PROPRIETORSHIP

Where the individual entrepreneur owns the business. In some states you see the county clerk, pay a small fee, and register the business as a DBA. A DBA means "doing business as..." which permits you to operate a business under a different name other than your own. Other states require you to have a business license, but the cost is usually under \$50. This is a simple and inexpensive way to start out with one main drawback: all the assets owned by the entrepreneur may be at risk if the business runs into trouble. This could include your house, auto, savings account, etc. Liability insurance to protect you from this risk is often very expensive if you can even find it. The profit and loss of the business flows through the owner each year for tax purposes.

PARTNERSHIP

Very similar to the Sole Proprietorship, but has more

than one owner. You should have a partnership agreement to define the parameters of your alliance. All partners are liable for the acts of all other partners, which could be a real bummer if one of them turn out to be a shyster. Make sure and specify in writing at the beginning exactly how the partnership will be dissolved. Tax returns still have to be filed for the partnership even though the partnership hasn't paid any taxes. Profits and loss from the business flow through to the partners in direct proportion to their ownership.

LIMITED PARTNERSHIP

A special partnership in which the general partner has liability but the limited partners do not. You receive profits each year in proportion to your ownership. Recent tax laws have reduced the benefits of this type of association.

JOINT VENTURE

Where two or more individuals, or corporations associate with each other for the purpose of performing a single specific task or business activity. The joint venture usually ends when the activity is finished. The parties decide how the profits will be divided and under what circumstances the venture will terminate.

CORPORATION

I feel this is the best solution for any small business owner. A corporation is usually chartered by and subject to the laws of the state in which you choose to incorporate. The favorite state to incorporate in

In this issue

Starting your own business! Should you incorporate, form a partnership, or be a sole-proprietorship? Some great places to start finding funds your venture.

Exposing the "Scam Of the Month." This month's winner, *Vacation Invitations*. The Consumer Connexion blows the lid off of Billy Kegley and his sleazy company. You won't believe what we've found out about this company.

Read on!

is Delaware because it's business laws are considered "friendly" to corporations. There are other states like Nevada and Wyoming also are emerging as great corporation havens for business. In Delaware, you can incorporate with only one person (yourself) holding all the positions on the board of directors. A corporation is owned by shareholders whose liability, with a few exceptions is limited to the assets of the corporation. Besides this limited liability, the fact that you can sell shares to raise capital, and the fact that the company will survive the death of individual shareholders provides a positive reason for investors to participate. Profits and losses stay inside the corporation unless paid out in dividends. There are some overhead costs associated with incorporating such as the fee to incorporate, franchise tax, legal and accounting fees, registering to operate as a foreign corporation in another state if you so choose, and termination fees. If you are starting out with very limited capital, consider the sole-proprietor route until you have enough capital to incorporate.

SUB-CHAPTER S CORPORATION

This is the perfect vehicle for the small business person. It is similar to a conventional corporation except that profit and loss flow through to the shareholders each year in proportion to their ownership for tax purposes. The company files a tax return but pays no taxes since the profits and losses are figured on the individual's tax return. The beauty of this type of corporation is that you retain the limited liability clause. If you expect to lose money when you start out, then start out Sub Chapter S. You can later convert this to a standard C-corporation when you start to make money. (You can only do this once) Because of the liability problem in this country, where everybody and their brother will serve a law suit on you at the drop of a hat, I'd highly recommend choosing some type of corporate form for your business.

FUNDING FOR YOUR BUSINESS

Even during these lean times, the government has money to dole out to small businesses. Most state governments as well as many county and city governments, have funds available that remain unclaimed year after year. Okay, so you'll have to wade through mountains of paperwork and red tape, but it could well be worth the trouble. For many companies these sources of financial aid have meant the difference between success and failure. Put some

"...Nevada and Wyoming also are emerging as great corporation havens for business..."

of your tax dollars to work and call the Government Printing Office at (202) 783-3238. Ask them to send you a copy of a Small Business Administration booklet entitled, "*The States and Small Business-A Directory of Programs and Activities.*" The document ID number is 045-000-002-57-8, and they may hit you up for a couple of bucks for it but that's a small price to pay for the amount of good information it contains. This book is **loaded** with information for anyone starting a business. Ensure that it is part of your library. The U.S. National Technical Information Service publishes a "*Directory of Federal and State Business Assistance, A Guide for New and Growing Businesses.*" Give them a buzz at (703) 487-4650. The document ID is PB88-101977. In your state, look in the white pages for an economic development agency of some sort. They usually have information on the types of programs available, and where to look. I've also found that the Chambers of Commerce are a great help in your search for funding.

Small businesses can get in on government Research & Development (R&D) funds through the Small Business Innovation and Research Program (SBIR.) This program sets aside money for companies with fewer than 500 employees. The Small Business Administration publishes quarterly solicitation announcements to identify topics of interest. To be included in the mailing list, and for information about SBIR grants, call (202)205-7777 or (202)205-6450. To go along with this program, a bright entrepreneur has published a guidebook entitled "*Small Business Innovation Research Programs: Funding to Finance Ideas,*" available for \$10.00 from KPMG Publications, Box 23331, Newark, NJ 07189. The SBIR program has been funded with a budget of almost \$250 million per year, so hop right in and try to grab a piece of this lucrative pie.

The Small Business Administration loan guarantees are intended for use by companies unable to obtain funds through conventional means. Funds are available to start new businesses or enlarge existing businesses. Good luck with this nightmare of government bureaucracy. The government claims that they have made things easier now for a small business to obtain an SBA loan, but my experience with it is "somebody forgot to tell the banks." I would pursue this avenue to the fullest extent possible, but don't get discouraged if the amount of paperwork to pull this deal off is higher than your head. If government really wanted to help Small Businesses get started, they'd fix this program, and make it a

viable funding alternative, not the fiasco that it is now. Your state should have a similar program, but in dealing with a government or state bureaucracy of some sort, be aware they are often slow, cumbersome and involve miles of red tape. Don't expect immediate action that will get you started in business next week. Get started early and you probably could get financial assistance that is not available from any other source. Most people don't know that the Small Business Administration also provides post-disaster relief in the form of low-interest loans to help victims rebuild. This is not just for businesses, but homeowners, renters, and non-profit organizations as well. Call the friendly folks at the Federal Emergency Management Agency at (800) 462-9029 for information on these type of loans.

The Farmers Home Administration has information on Youth Project Loans, made to kids ages 10 thru 20, to help them start a small business. Granted these loans are typically made to rural kids who belong to 4-H or Future Farmers of America, but what the heck, it's worth a try. Call the Farmer Programs Loan Making Division at (202) 720-1632.

Besides the Federal, state and local governments, there are of course other resources. Your personal savings or through borrowing. Several years ago, I started a small publishing company with five different credit cards for a total amount of \$35,000. Granted the high interest rates almost wiped me out, but at the time I was unable to obtain a bank loan, so this was my only alternative. Later I was able to acquire a bank loan by shopping around and got out of the credit card cycle. Friends are a great resource, although if your venture fails, your friendship could take a dive when you fail to pay back the debt. There are many venture investors who can provide any amount of capital. Several are snakes in the grass and in a future issue I'll review some "venture capital" companies that fall into the "scam" family. You can go public and sell stock to raise capital to start-up a business, although this procedure will require professional assistance. If you have a dream or vision of starting your own company, don't let your current financial situation thwart those dreams. Set a goal for yourself, go out and pursue it! One of my favorite poems, which I

feel applies to every individual who has the gumption to pursue their own dream in the business world, is a William Ernest Henley poem written in 1888 titled "Invictus," meaning unconquered in Latin (see insert)



Receive \$9,680.00 With One Simple Form

I recently received this letter from "Moneywise" based in Margate, Florida. It says all I have to do is mail out one form and collect the money. Is this one of the most ridiculous scams or what? Anyway what is the deal on this "money-making" business opportunity? (Their words, not mine)
Paul Ulrich, Puyallup, Washington

I've seen this ad around in various forms for several years. Some only guarantee \$6,000 a month and some variations go as high as \$15,000 a month. The secret of this ridiculous advertisement is a classified ad insertion form. You send out a classified ad that is selling some worthless book, and you kick back and wait for the money to roll in. This is just one of those blatant examples of gross deceptiveness in advertising for a worthless product. It's a scam of tremendous proportions so save your \$29.00 and throw any ads like this in the old recycling bin.

"Out of the nite that covers me,
Black as the pit from pole to pole.
I thank what ever gods may be,
For my unconquerable soul.
It matters not how strait the gate,
How charged with punishment the
scroll.
I am master of my fate.
I am the Captain of My Soul."

STOP PAYING REAL ESTATE TAXES **FOREVER**

My real estate taxes are over \$1800 a year here in sunny Florida. This ad says I can stop paying real estate taxes forever. It's only \$12 for the information. Perhaps you can shed some light on the subject.
Tina Naylor, Boca Raton, Florida

I've certainly got this hot information for you, and here's the deal. You're going to love this great plan that will keep the state from collecting property taxes from you. Okay, let's get down to the palm-heart here and let you know that **what you need to do is live on the water in a houseboat**. Then you don't have to pay any of those nasty real estate taxes.

(And you don't have to mow the lawn) You can get a 40 foot houseboat with two 220 HP engines for around \$11,000 (this is what the book claims anyway). If you're dying for more information send a self addressed envelope to H.C. Wilson, Box 177, Riverside, NJ 06705. You've got several areas there in Florida to try this out in if you're so inclined. Let me know how it turns out!

Dakser,

I just received this letter from WLPD that says they are building a permanent downline and they will do all the promotion, sponsoring, training and placement for me. Is this company for real, and what is the scoop on it? L.B., Glendale, CA

WLPD, short for the (*Worlds Largest Permanent Downline*.) is really nothing more than a front for a new network marketing company called Spectrum 2000. I have no problem recommending folks send off for information on WLPD since you have nothing to lose except .29 cent stamp or worst case \$3.00 for priority mailing. This so called **permanent downline** is nothing but a tired, old forced matrix where your downline is created by spillover from your upline. I've uncovered some other disturbing facts such as the founder of WLPD was also involved in another company that failed miserably. The genealogy report they send out is a pitiful excuse for a list since it doesn't include phone numbers or addresses of a person's downline. You pay WLPD \$10.00 to "build" your downline (right, and my beagle can drive a stick shift.) The initial cost to join Spectrum 2000 is \$77. The monthly minimum requirements are \$50 a month plus \$10 a month for the WLPD fee. Frankly, I'm not impressed with the whole operation and have a feeling the thousands of distributors they've managed to sucker in with the promise of future wealth and a permanent downline, will fade away into the sunset.

Address letters to:

DAKS

Drawer 517

Graham, WA 98338

Letters may be edited for purposes of clarity or space.

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The ad: *IF I HELP YOU MAKE A MILLION DOLLARS (\$1,000,000) IN AS LITTLE AS 30 DAYS, WOULD YOU LET ME KEEP \$20,000?*

VACATION INVITATIONS (VI), INC., 1940

The Exchange

Atlanta, GA 30339

Tel.: 404-952-4590.

I have been investigating this company for over a year now and, at first glance it appears to be a legitimate money making operation. Many business opportunity magazines, newsletters, and journals have all praised Vi as a sound financial investment. Several large companies have agreed to do business with Vacation Invitations initially until they woke up and realized what kind of a company they are dealing with. The real facts are, we are dealing with a slick con-man who runs VI and has suckered thousands of people who considered themselves way too smart to be taken in. I admit, even a hardened investigative journalist like myself, was one of the fools that lost money with VI. Statistics reveal the sad fact that many other people have lost thousands of dollars, in addition to having their dream vacations destroyed. Billy Kegley, the president of VI continues to do business as usual, raking in the loot and laughing all the way to the bank. This is the sordid tale of Billy Kegley and his infamous company VI. After reading this report, I hope you'll feel totally enlightened when considering any dealings with VI, The Kegley Travel Network, or Billy Kegley himself.

Let us drift back in time to California, 1984, when Billy Kegley was found guilty of mail fraud, and then on to 1987 when Billy was convicted of credit card fraud and allegedly spent some time in the pokey. That didn't slow old Bill down though. His company in California, *Resort Vacations*, managed to rack up over seven thousand complaints against itself before Bill slunk out of town and headed to Las Vegas to con some more folks. A couple of years later Bill is suddenly a very rich man

based out of Atlanta, Georgia with his new company VI. In a short time, VI began pushing those dreaded, and totally lousy travel certificates purporting a "Six day/ Five night vacation to Hawaii," and a "Five day/ Four night vacation to Mexico." The trouble was

(as is the case with 99% of these certificates) that most of these vacation packages **simply did not exist**. VI was *pocketing the money* and leaving the people who had sent in their \$600 to \$1500 out in the cold. Kegley had the **audacity** to run a *full page* ad in *USA TODAY* (I'm

"Scam of the Month!"
This month's winner:
VACATION INVITATIONS (VI),
Atlanta, GA

assuming with distributors' cash) *again promising these incredible vacations*. Thousands of people bit and most, if not all, were ripped off.

Bill claims to have over 12,000 distributors, and if each of them has coughed up the required \$125 to join, you can see how Bill has earned a cool 1.5 million in the last couple of years. If these poor folks bought certificates, (that aren't worth the paper they're printed on) and if they actually sold these certs to people who sent VI hundreds of dollars, then it's almost sickening to think of the money Bill has had rolling in. In 1993, Bill started a completely bogus program called the "*Business Express Travel*" (BET) program where distributors would sell a travel card to business people **guaranteeing** them unrestricted low fares 2 to 14 days before traveling. The problem is, this program has only existed on paper. A few people have used it, but 98% were ripped off when VI's "in house" travel agency bailed out and no one would honor the BETs. The BET program is dead in the water, yet Bill **continues** to sell these phony certificates to his distributors who, I assume, continue to try to peddle them off on unsuspecting business people.

Bill's latest grand scheme has involved setting up satellite travel agencies. Somehow he finally got a travel agency set up, "*Kegley Travel Network*," under his wife's name, though I have no idea how the *International Airline Travel Association* (IATA) approved this deal with Kegley's criminal background. The big plan is that Bill will sell 500 satellite travel agencies to distributors around the country. These satellite agencies will use his license and sell tickets. He sells these satellite agencies for a whopping \$5000! (If you don't buy by the end of June though, the price goes up to \$25,000; but he's been saying that for the last six months.) He claims to have already sold 250 of these satellites which adds up to a mind boggling 1.25 million bucks directly into (what I assume to be) Bill's private Swiss account. I'd wager that none of the satellite owners are making a dime and most may have lost their life savings, as well as their shirts. Those that have tried to get a refund have been treated worse than dogs. Kegley *has yet* to refund anybody without some kind of Federal, State, or court intervention. In a desperate bid for cash, Bill is offering to finance your satellite office if you plunk down \$500. My friends you'll never see that \$500 again, and rest assured the whole satellite business is a scheme that will explode in your face. Bill will have to straighten up his act with his lousy travel certificates since his travel agency plates will be yanked out from under him if he pulls a fast one.

Kegley has several other equally fishy business propositions. If you send him cash, he'll give you a 30% return on your money. (guaranteed of course, "*trust him*" he tells you. I'd rather trust a hungry cannibal than Billy Kegley) Forget about ever seeing the principal again and if you do see a couple of payments, you should thank your lucky stars, since you're witnessing the old "ponzi" scheme of paying Peter using Paul's hard-earned money. Kegley's latest plan to keep himself afloat is a "*working vacation*." Every other month or so, he suckers some hotel to host his conference, making money off of each person booking a room (through his travel agency of course) then charges a couple of hundred dollars to attend his "*training session*" (and I use the term very loosely.) Then he sells everyone there a bunch more of his phony baloney certificates to boot! I figure he clears well over \$100,000 per "*working vacation*." No wonder he runs them every couple of months!

If you listen to him talk or read his propaganda you'd almost believe you can make a million dollars in 30 days. He makes incredibly outrageous claims that **people actually believe!** Somehow he got the *Howard Johnson* hotel chain to buy some of his airfare discount certificates (also known as certs.) The man who set this up has since parted ways with VI, and *the Howard Johnson's* chain sure isn't pushing the certs anymore. Could it be several folks who tried to use them found out they were pretty much worthless? *Players Club*, believing that VI had 12,000 active members who could push their program, joined VI for a very short time. I suppose they realized they were dealing with a shyster and con-man, and you wouldn't believe how fast they made tracks **away from** VI. Lately, Kegley claims to be making an incredible deal with a chain of grocery stores for his certs, as well as a nationally known rental car company. He's made all these claims before, and so far, every deal he's made has fallen apart once people realize what kind of a shyster they're dealing with. Kegley's lawyers can't even stand him. He's gone through several over the past year. His office has an incredible turnover rate as employees soon tire of being the target of irate people that have been ripped off. I suspect there is also the small matter of Bill failing to pay those around him which also contributes to employees deserting the sinking ship in droves. An ex-employee, a refund specialist who quit in frustration, admitted the company is just a ripoff and you'll never get a refund from them. They will lie to you, lead you on, or just hang up on you, but rest assured your refund **will not be in the mail**.

Vacation Invitations is currently under investigation by the Georgia Consumer Affairs office, the Cobb County Solicitors office and The United States Postal Inspector. I strongly suspect that with his past record of fraud, Kegley has not declared most of the money he's received. He has declared, in writing, that he has 250 satellite owners who've sent him \$5,000 each! I've got to wonder if the good old IRS has been advised of this windfall. Perhaps it's time the IRS also joined in investigating good old Bill. Bill Kegley is still on Federal probation for his other shenanigans, yet he continues to operate and take peoples money. This is certainly a travesty of justice yet it is also a sad statement whereby "**crime does indeed pay.**" I talked to the postal inspector investigating the case. They need specific documentation or proof of Kegley's misdeeds. Anyone reading this who has been ripped off by VI, please send me a short statement detailing what happened and copies of whatever propaganda were used to lure you in. In you could have these statements notarized, I will gather them all together and send them to the US Postal Inspector. Mail copies (not the originals) to: ISP, Box 517, Graham, WA 98338. This company can and should be shut down before hundreds or thousands of other unsuspecting people place their hard earned money into Billy Kegley's already well-lined pockets. My

gut feeling is that Bill Kegley is just waiting for the right moment to disappear -- **again** -- with millions in his pockets and one step ahead of the law. Avoid this company like the plague and as always be aware of people that claim they are going to help make you rich "AND IT COST YOU ALMOST NOTHING TO GET STARTED!!"

Next month in this column

The Fall preview of the "Scams & Fraud Hall of Shame". An extensive list of "Get Rich Quick" ads you've probably received and been wondering about. The Consumer Connexion will list these companies along with what kind of a phony baloney program they are pushing, so don't miss this issue as it will make the scamsters break out in a cold sweat. Also more small business advice, "Should you Buy a Franchise or start a business from scratch?" and where to find "Venture Capital". We'll also check into "*The latest High-Tech rip-offs and scams that yank the wallet right out of your pocket*"

Coming Soon-The Consumer Connexion will be available on the computer information service on-line. You'll be able to send requests for information on business opportunity and scams, and also download your subscription electronically. Look for all the details in future editions of this newsletter!

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