

Untitled

ATTORNEY GENERAL CUOMO SECURES AGREEMENTS WITH SEVEN ELECTRONICS COMPANIES IN NEW YORK FOR USING ILLEGAL ONLINE BUSINESS PRACTICES TO SCAM CONSUMERS NATIONWIDE

Cuomo's Agreements Will Deliver \$665,000 in Restitution to Consumers Nationwide who were Scammed By Fraudulent Companies

AG Also Announces Partnership with NY Better Business Bureau and ResellerRatings.com to Quickly Detect and Prosecute Illegal Online Business Practices

NEW YORK, NY (June 25, 2009) - Attorney General Andrew M. Cuomo today announced settlement agreements with seven online electronics stores located in New York for engaging in a variety of illegal and fraudulent business practices that scammed consumers nationwide out of hundreds of thousands of dollars. Under the terms of today's settlements, the seven companies will pay a total of \$665,000 in restitution and civil penalties, and over \$100,000 to cover the costs of the Attorney General's investigation. Two of the companies will close completely. The remaining five companies have agreed to substantially change their business practices and will be subject to ongoing monitoring by the Attorney General's Office.

"These companies engaged in the worst kinds of consumer fraud, from classic bait-and-switch schemes to blatant lies and bullying sales tactics," said Attorney General Cuomo. "Today's agreements will protect consumers nationwide from these types of predatory online merchants, as well as deliver much-needed restitution to hundreds of individuals who fell victim to these illegal practices. Let this be a message to online merchants everywhere: such abuse of consumers and violation of the law will not be tolerated."

Attorney General Cuomo's investigation revealed that these seven companies would advertise consumer electronics, such as cameras, camcorders, projectors, and related accessories online at prices significantly lower than their competitors to induce consumers to place orders via the internet. Once an order was placed, the companies would call consumers and try to sell them additional or "upgraded" merchandise at inflated prices. If the consumer refused to purchase the additional merchandise, the companies would cancel the sale or claim the item was backordered for months. If the consumer did agree to purchase the additional merchandise, the companies would send them lower quality merchandise than what was promised, or merchandise that the consumer never ordered in the first place. When customers tried to return the items, they would either be denied or be slammed with undisclosed fees. All of the companies further limited customers' ability to return merchandise by requiring them to speak to a live customer representative during limited business hours, and then refusing to answer those telephone calls.

Under the agreements secured today by Cuomo, two of the companies, Camera Wiz and Sonic Photo, will dissolve completely. The following five companies will completely revamp their business practices and be subject to ongoing monitoring: Best Price Camera, Foto Connection, 1 Way Photo, 86th Street Photo and Broadway Photo, LLC. All of the companies will pay substantial monies to provide restitution for consumers who were subjected to the companies' illegal business practices.

In addition to their bait-and-switch and illegal sales practices, all of these companies obtained fake "consumer testimonials" through websites that claim to be impartial consumer-based "rating" websites, but are in fact pay-per-click-based websites filled with content provided by the websites' proprietors. Most of the companies

Untitled

changed names and websites so often that consumers looking for truthful reviews or testimonials for the companies would be unable to find them. After receiving hundreds of complaints against each of the companies, the Attorney General's Office and the New York Better Business Bureau ("NY BBB") worked cooperatively to investigate and establish all of the names under which the companies ever did business.

Under today's agreements, two companies-Camera Wiz and Sonic Photo-will go out of business completely. To continue doing business, the other five companies will substantially change their business practices to comply with New York law and be subject to ongoing monitoring by the Attorney General's Office and will be required to post a total of \$160,000 in performance bonds for the ongoing protection of consumers. Although two of the companies-Best Price Camera and 1 Way Photo-are relocating to outside New York State, they have agreed in the settlements to be bound by New York Law and to be subject to on-going monitoring by the Attorney General's Office.

The settlement funds will provide restitution to consumers who were the victims of the companies' illegal business practices. Consumers who believe they qualify to receive restitution should submit claims to the NY BBB, which will then evaluate and issue the appropriate restitution from July 1, 2009 to December 31, 2009. All funds, if any, remaining in any of the restitution funds after December 31, 2009 will be forfeited to the State of New York as a penalty.

Attorney General Cuomo also announced that his office has created an innovative arrangement with the NY BBB and ResellerRatings.com to quickly and effectively detect, investigate, and prosecute instances of illegal business practices by Internet-based companies. In particular, the NY BBB and ResellerRatings.com will report companies to the Attorney General's Office once there is evidence that suggests a company is engaging in fraud, based on either the volume of complaints received or the tenor of consumer reviews posted online. The Attorney General's office will share in return the results of its investigations and, in the case of ResellerRatings.com, will alert the website whenever the office is able to determine that fake "consumer testimonials" have been posted.

The settlements announced today were handled by Assistant Attorney General Karen Geduldig of the Internet Bureau and Assistant Attorney General Darcy M. Goddard, under the supervision of Deputy Attorney General for Economic Justice Michael Berlin.

###