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**DECEPTIVE MAILINGS AND SWEEPSTAKES
PROMOTIONS**

HEARINGS

BEFORE THE
PERMANENT
SUBCOMMITTEE ON INVESTIGATIONS
OF THE
COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED SIXTH CONGRESS
FIRST SESSION

—————
MARCH 8 AND 9, 1999
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Printed for the use of the Committee on Governmental Affairs



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DECEPTIVE MAILINGS AND SWEEPSTAKES PROMOTIONS

MONDAY, MARCH 8, 1999

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:33 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Subcommittee, presiding.

Present: Senators Collins, Stevens, Levin, and Edwards.

Staff Present: Timothy J. Shea, Chief Counsel/Staff Director; Mary D. Robertson, Chief Clerk; Kirk E. Walder, Investigator; Kathy Cutler, Congressional Fellow; Emmett Mattes, Detailee, U.S. Postal Inspection Service; Brian Benczkowski (Senator Domenici); Michael Loesch (Senator Cochran); Frank Brown (Senator Specter); Felicia Knight (Senator Collins); Chris Ford and Dan Blair (Governmental Affairs); James Dean (Senator Campbell); Linda Gustitus, Minority Chief Counsel and Staff Director; Bob Roach, Counsel to the Minority; Leslie Bell, Congressional Fellow; Nanci Langley (Senator Akaka); Marianne Upton (Senator Durbin); Maureen Mahon and Karen Robb (Senator Edwards); and Diedre Foley (Senator Lieberman).

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. The Subcommittee will please come to order. Good morning.

Last year, prompted by complaints that I received from my constituents in Maine, as well as by an initial hearing on this issue held by Senator Cochran, the Permanent Subcommittee on Investigations began an investigation into deceptive mailings. The hearings today and tomorrow are the first in a series examining promotional mailings, particularly sweepstakes, that flood the mailboxes of Americans with more than a billion pieces of mail a year.

These first two hearings will examine the nature and the impact of sweepstakes run by several major companies, including American Family Enterprises, Publishers Clearing House, Time Inc., and the Reader's Digest Association, Incorporated. Let me emphasize that, to date, our investigation has uncovered no evidence that the sweepstakes offered by these particular companies are fraudulent. These companies run legitimate sweepstakes in the sense that all the prizes are awarded, none requires a purchase to enter the sweepstakes, and all entries are treated in an equal fashion. Subsequently hearings will focus on promotional mailings that are out-

right fraudulent, such as the sweepstakes in which no prize is ever awarded. That is not the issue before us today.

Instead, this hearing will examine the increasingly deceptive and aggressive marketing techniques used by the legitimate sweepstakes companies. We will explore whether repeated mailings, misleading language, the use of trusted spokesmen, "Government look-alike" mailings, and the combination of large headlines and small disclaimers are unfair practices that deceive consumers into making excessive, unneeded purchases. In addition, we will examine how laws can be changed to make sweepstakes less deceptive and how the companies themselves could take steps to be more honest with the consumers receiving their mailings.

Since I initiated this investigation several months ago, I have heard from individuals all across this country who have told me their personal experiences with these sweepstakes. Time and time again, family members, such as the ones that we are going to hear from today, have described sweepstakes companies bombarding elderly relatives with repeated mailings, each one giving the false impression that purchases will bring the consumer closer to winning the grand prize. Such deceptive mailings hurt individuals in two ways.

First, there is the obvious financial harm of a senior citizen wasting thousands, perhaps tens of thousands, on purchases that the senior citizen neither needs nor wants. The Subcommittee has received and reviewed cases of seniors who, enticed by the bold promises of deceptive sweepstakes, spent their Social Security checks, squandered their life savings, and even borrowed money in order to continue to make purchases, thinking that buying unwanted magazines, trinkets, and other products would somehow make them win the grand prize.

For an example, a 74-year-old woman from New York wrote to me about how she thought the purchases she was making enhanced her chances of winning. She went deeply in debt in playing sweepstakes. In her letter she said, "My only source of income is a monthly Social Security check totaling \$893. I estimate that I have spent somewhere between \$10,000 and \$20,000 in the last 19 years. What money I did not have, I borrowed from my daughter who is now responsible for my total financial support. I am deeply in financial debt. Their mailings were worded in such a way that I was certain I was going to win anywhere from \$1 million to \$10 million. I am finished with all of the contests. I truly wish I could recoup the monies that I squandered foolishly in the hope that a real pay-off would come my way."

Another individual interviewed by the Subcommittee's investigators said that he spent in excess of \$30,000 over 3 years on sweepstakes mailings. He sold stocks, he borrowed on his credit cards and from a loan shark to pay his bills, and he was just about to lose his home. In a 2-month period, he received 24 mailings from just one of the major sweepstakes companies. In response to each and every mailing that he received, he bought products, convinced that that would make him a winner. This elderly American showed our investigators a recent bill that went on for 10 pages, listing over 350 purchases totaling over \$10,000. Now, in this case, the company involved—Publishers Clearing House—has done the right

thing by refunding this individual \$9,000, but such restitution appears to be the exception and not the rule.

Yet another gentleman told us that he put a \$6,000 down payment on his dream home. He packed up his belongings and waited for his \$11 million from American Family Publishers. It never arrived, and he was hospitalized with stress-related pains. He lost his dream house, he lost his down payment, and he lost \$7,000 that he spent buying books, magazines, and cassettes that he did not want.

The losses suffered by consumers cannot be measured in dollars alone. As one elderly gentleman put it in a letter to me, "My wife has finally come to realize that she has been duped by the sweepstakes solicitations for all these years. Although the financial drain is now halted, the loss of her dignity is incalculable."

Deceptive mailings promising consumers that they are "guaranteed winners" or "finalists" create the expectation of a huge cash prize, unfairly raising the hopes of many sweepstakes players. One woman was so certain that she had won that she canceled a doctor's appointment in order to be home to meet the Prize Patrol. Similarly, another postponed needed surgery because she did not want to miss Ed McMahon's arrival with her winnings.

The stories that we will hear today and the evidence that the Subcommittee has compiled demonstrate that these are not isolated examples. Moreover, far too often, the victims of deceptive sweepstakes mailings are senior citizens—people who come from a generation that is trusting. They tend to believe what they read, particularly if it is endorsed by a trusted authority, comes from a well-known company, or includes language that makes it seem to be official. Too many times, the disclosures are few and hard to locate, they are cleverly worded, and in tiny print.

One of the goals of these hearings is to inform consumers that they don't have to buy to win and that buying does not improve their chances of winning. But this should not require a Senate hearing. These disclosures, as well as the odds of winning, should be much clearer in these mailings. You should not have to use a magnifying glass to read the fine print or have to search to figure out how to enter a contest without making a purchase.

The witnesses we will hear from today will each describe the deception that caused them or their loved ones to be taken in by sweepstakes mailings. I want to praise them for their courage in coming forward to share their experience. I know that it is not easy. But by coming forward, you will help others avoid the mistakes that have affected your families.

The Subcommittee's second panel will include a representative of the American Association of Retired Persons as well as the Attorney General of the State of Maryland. He will describe State efforts to combat deceptive and unfair practices used in sweepstakes promotions.

All of the witnesses today will help us better understand the nature of the problem, the impact of deceptive mailings, and what the Senate should do to curtail this unfair practice.

I would now like to turn to my colleagues for any opening statements that they may have. I would first like to yield to Senator Levin, who is the Subcommittee's Ranking Minority Member. Sen-

ator Levin has been a leader in trying to curtail deceptive mailings. He has a longstanding interest in this issue and is the author of legislation that was introduced last Congress and this Congress as well. Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you, Madam Chairman.

Everybody wants to be a winner, and when you are told that you are one, absolutely, definitely, that is pretty powerful medicine, powerful enough to make a lot of people overlook the fine print that tells you that your winning is dependent upon having the right number and returning it within the prescribed time period.

Most of us also want to provide for our families. As we get older, with little ability to earn income, often, some worry that they will end up being financially dependent on their children. Others hope that they could leave a little nest egg for their family. And when we are lonely, it feels good to have someone pay attention to us. And when we are bored, it feels good to have something to do.

These natural human instincts power the sweepstakes industry, a multi-billion dollar industry that is used to sell everything from magazines to videotapes to simple hope.

Last year, as the Ranking Democrat on the Subcommittee with jurisdiction over the Postal Service, I asked the Chairman of that Subcommittee, Senator Cochran, to hold the hearing that Senator Collins has referred to on the mass marketing of sweepstakes in America and the use of the mails for deceptive and fraudulent sweepstakes offers.

We learned at that hearing that the financial cost to consumers of deceptive and fraudulent sweepstakes is a serious problem and one that particularly plagues our senior citizens. We also learned that the Postal Service has inadequate law enforcement tools to combat it.

Joined by Senators Collins and Durbin, I sponsored legislation to close some of the loopholes that allow some egregiously deceptive practices to be considered legal. Some of the deceptive practices that we are going to be hearing about are currently considered legal because of those loopholes, and the purpose of that legislation was also to give the Postal Service the enforcement tools that it needs.

We weren't able to get action on that legislation before the last Congress adjourned, but this year I am optimistic that we are going to toughen our laws and end some of these abuses. And the hearings that you have called, Madam Chairman, should help a great deal in that effort.

The figures with respect to sweepstakes that are run by the big four sweepstakes companies from whom we are going to hear tomorrow—American Family Publishers, Publishers Clearing House, Reader's Digest, and Time Inc.—are huge. These four companies alone, combined, mail out 1.5 billion pieces of mail a year promoting sweepstakes. They spend hundreds of millions of dollars running their sweepstakes programs. Some of these companies will run one sweepstake for 2 years, sending out 800 million pieces of mail in over 200 separate mailings. These mailings look different

even though they are for the same sweepstake, and many of these mailings go to the same individuals.

These sweepstakes might have odds of winning of only 1 in 150 million. Reader's Digest has told us that it is possible that a single individual could get up to 122 mailings in any 1 year for their various sweepstakes promotions. And though the average respondent who buys something spends on the order of \$40 to \$90 on products promoted with sweepstakes, in one company over a half a million individuals are spending \$100 to \$500 a year to buy sweepstakes-related products, and thousands of Americans are spending thousands of dollars a year buying those products. So make no mistake about it. This is not just junk mail we are talking about. This is big business.

In the process of pushing products by using sweepstakes, companies are taking advantage of the average person's desire to win and to get a little something extra. And the promotions used to seduce a customer over the edge, to take the step to respond to the solicitation and to purchase a product are very cleverly designed.

Now, for the most part, the companies that we are talking about today and tomorrow are companies that know the law. They go right up to the edge to promote their products, but still stay within the law, often just barely. The problem is that the current law is feeble, full of loopholes, and needs to be significantly strengthened.

We have got to require that sweepstakes solicitations state affirmatively in large and clear type that the recipient is not obligated to purchase a product in order to win, and I think maybe most importantly we have got to change the law to require that the sweepstakes solicitations state affirmatively and in large and clear type that purchases of products do not increase the recipient's chances of winning. That to me is a critical issue because so many of the people who receive these sweepstakes believe that their chances of winning are increased if they buy a product. In fact, many believe that the only chance that they will have of winning, despite the fine print, is if they buy a product.

There are also too many other companies that cross over the line of legality and actually perpetrate fraud and deception. And for those companies, we have to increase the penalties and strengthen our enforcement capability. We have got to give the Postal Service subpoena authority. We have got to provide immediate and tougher civil penalties for violations. My bill, for instance, would provide a penalty of \$10,000 per illegal item; and that means each envelope.

Exposing deceptive and fraudulent practices is a critically important function of this Subcommittee, and I want to commend Senator Collins for scheduling these hearings. I am proud to be a cosponsor of her legislation. I am proud to have her as a cosponsor of my bill, and I know we both look forward to the Senate passing legislation this year. We have been joined by many other Members of this Subcommittee and other members of the Senate. I think with their help and with the help of the kind of hearings which are now scheduled by Senator Collins for which we and the Nation are in her debt, we have a good chance of passing legislation this year.

Today we have with us individuals who know firsthand how sweepstakes promotions can lead to heavy financial costs and often psychological heartbreak. I want to commend each one of you for

being willing to come to Washington, to be with us here publicly today, and to tell some very personal stories. We are very appreciative of the candor, of your willingness to share with us sometimes some very painful personal matters, by your doing so, we believe, will make it possible that others will avoid the kind of grief that you are going to describe. And we are very grateful to you.

Senator COLLINS. Thank you very much, Senator Levin.

Senator STEVENS, I am very pleased to yield to you if you have any opening comments, and I want to thank you for cosponsoring the legislation that I have introduced to crack down on deceptive mailings.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. I am pleased you are holding the hearings, and I am particularly concerned about the impact of some of the ways these sweepstakes are presented to the elderly. So I am happy to be here. Thank you.

Senator COLLINS. Thank you.

Senator Edwards, it is a great pleasure to welcome you to the Subcommittee. I am sure we will benefit greatly from having you as a Member, and I just want to welcome you and also express my appreciation for your cosponsorship of the legislation. Do you have any opening comments you would like to make.

OPENING STATEMENT OF SENATOR EDWARDS

Senator EDWARDS. Yes, Madam Chairman. Thank you very much. It is an honor for me to cosponsor that legislation.

First, let me extend my thanks to Senators Levin and Collins for holding these hearings. Sweepstakes fraud is a major problem in my home State of North Carolina.

In fact, investigators in the Consumer Protection Division of the Attorney General's Office in North Carolina have told me that since January 1997, they have received more than 400 complaints about sweepstakes promotions. More than 300 of those complaints involved the four major companies: American Family Publishers, Publishers Clearing House, Reader's Digest, and Time Inc.

Many of the complaints were made by senior citizens, and many of these complaints were made by the children of seniors, who are so concerned about the impact of these sweepstakes on their parents' quality of life that they feel compelled to take action.

I recently heard a story from one of my constituents whose name is Pamela Bagwell. One day, Pamela went to visit her elderly father-in-law, Bobby. When she arrived at his home, she found stacks and stacks of solicitations from sweepstakes companies. She asked Bobby about them and found out that he had made numerous purchases thinking that buying products would increase his chances of winning prizes. He was so convinced that he would win a prize that he even invited his neighbors to his house on the day that the Publishers Clearing House Prize Patrol was supposed to deliver the grand prize check. Pamela estimates that Bobby spent more than \$20,000 in 10 months on products he thought would help his chance of winning.

Now, I mentioned the fact that Bobby is an elderly man, but that is not the worst part of this story. Bobby also has Alzheimer's.

Pamela, who has power of attorney for Bobby, contacted Publishers Clearing House at least six times in October last year to demand that the company stop sending Bobby solicitations. She even went so far as to send the company a doctor's certification that Bobby has Alzheimer's. And yet the sweepstakes mailings continue to flood Bobby's mailbox. Pamela says that sometimes Bobby receives up to 20 per day from many different companies.

Bobby is not alone in being inundated by these mailings. This January the North Carolina State Attorney General's Office sent one sweepstakes company a letter asking them to immediately remove a woman's name from their mailing list, stating that "the constant barrage of mail from [the company] is significantly diminishing the quality of her life."

Now, I think it is a pretty sad day when people need to call their State Attorney General to stop harassing mailings. And stories like this are becoming more and more frequent.

The examples from my State demonstrate another area we need to explore. People like Pamela Bagwell should be able to stop these mailings in the first instance. I am a cosponsor of Senator Collins' legislation that will curb deceptive mailings.

This bill requires that if a person makes a written request to a sweepstakes company to stop sending mailings to that person, the company must do so for a period of 5 years. I commend Senator Collins for this measure. I believe we need to go further. Next week I intend to work with my colleagues to require that sweepstakes companies jointly establish a single 1-800 number so that people can call to have their names removed from all mailing lists. This would spare consumers from having to call and write each individual company. We already have a similar system in place for credit card solicitations.

I believe establishing a system that not only allows consumers to write to individual sweepstakes companies but also allows them to call one number to stop all sweepstakes solicitations is the least we can do so that people like Pamela Bagwell do not have to sit up late at night worried that her father-in-law is going to go bankrupt himself because she can't be there to monitor the situation every single minute.

Currently, 27 States have laws to help protect consumers from deceptive sweepstakes mailings. However, we need to do more. State Attorneys General, including those in my own State, are to be commended for the actions they have taken to help combat this problem.

However, Federal laws must be strengthened, as Senators Collins and Levin have recognized already, to prevent companies from sending deceptive mailings and to alert consumers that purchases do not increase the likelihood that they will win a major prize. Again, I applaud Senator Collins for her efforts in this area.

I am not advocating ending any legitimate marketing practice, but something must be done to put a stop to deceptive and misleading mailings and to prevent consumers from being scammed and harassed.

It is my hope and expectation that Senator Collins' legislation and my proposed 1-800 number will go some distance toward correcting these situations.

I want to thank these witnesses for their bravery in being here and being willing to testify before this Subcommittee. I look forward to these hearings. I am sure they will be very educational for all of us.

Thank you, Senator Collins.

Senator COLLINS. Thank you, Senator.

Before swearing in the first panel, I want to also recognize the work of Senator Cochran, who is the Chairman of the Subcommittee with jurisdiction over these types of mailings. I mentioned that he held a hearing during the last Congress, but I also want to let you know that he has worked very closely with this Subcommittee in conducting this investigation. Since he is unable to be here right at the beginning, I did want people to be aware of his efforts.

I also want, assuming there is no objection, to have all of the exhibits that have been marked and previously made available to Members, included in the hearing record. There are also some sealed exhibits which will remain under seal because they contain some proprietary information.

With that I would now like to welcome our first panel of witnesses. As I mentioned, our first panel includes individuals who will be able to describe for us their firsthand experiences or those of loved ones who were taken in by sweepstakes mailings. They include:

Eustace Hall of Brandon Florida. He is accompanied this morning by his daughter, Angela Hall.

Carol Gelinis of Bangor, Maine. I am very happy to welcome one of my constituents to this hearing.

Patti McElligott of Tyler, Texas.

Dr. Stephanie Beukema of Cambridge, Massachusetts.

Charles Doolittle, also from Florida.

And we also have a constituent of Senator Levin's, Dr. Karol Carter. I don't know whether Senator Levin wants to add any words of welcome.

Senator LEVIN. I would just put in a plug for Troy, Michigan, where you are from, and Dr. Carter is a veterinarian in Troy.

Dr. CARTER. No. In Detroit.

Senator LEVIN. In Detroit. We had a chance to chat a little earlier, and I just want to personally again thank you for coming here.

Dr. CARTER. You are welcome. Thank you.

Senator COLLINS. Now, pursuant to Rule VI of the Subcommittee, all of our witnesses are required to be sworn in. That doesn't mean that we wouldn't believe you if you weren't sworn in, but it is part of our rules and procedures. So I would like to ask that you all stand so I can now have you take the oath.

Would you please raise your right hands? Do you swear that the testimony you are about to give the Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. HALL. I do.

Ms. HALL. I do.

Ms. GELINAS. I do.

Ms. MCELLIGOTT. I do.

Dr. BEUKEMA. I do.

Mr. DOOLITTLE. I do.

Dr. CARTER. I do.

Senator COLLINS. Again, I want to thank you very much for your willingness to come forward and assist the Subcommittee with its investigation. We will include your written testimony as part of the hearing record. We are going to ask that your oral testimony be limited to no more than 10 minutes each. We have a series of lights that you can see on the table in front of you that will help you know when your time is about to expire. When you have only 2 minutes left, the yellow light will go on, and when the red light comes on, we would ask that you wrap up your comments.

Mr. Hall, we would like to begin with you, and, again, thank you for being here today.

**TESTIMONY OF EUSTACE A. HALL,¹ BRANDON, FLORIDA,
ACCOMPANIED BY ANGELA HALL**

Mr. HALL. Thank you. Good morning. My name is Eustace Hall, and I am here today to tell of my unfortunate experience with Sweepstakes. I am a 65-year-old retired medical technologist. I currently work for AT&T selling mobile phones. I had to take this job with AT&T due to debts I incurred while playing sweepstakes.

I asked my daughter Angela to accompany me today as this is a difficult topic for me to discuss. I first began entering sweepstakes at the end of 1992. I began entering sweepstakes because I wanted to provide my daughter Angela, who was in law school at the time, with more financial assistance. I am proud to say Angela is now an attorney, but the money I thought—

Senator COLLINS. Mr. Hall, would you like to have someone else go first and then we can come back to you?

Senator LEVIN. His daughter.

Senator COLLINS. OK. Ms. Hall, do you want to help your father out? I know this is really difficult, and you have been through a lot. I just want to tell you that it means an awful lot to us to have you here today. So we will have your daughter—can we bring you anything? Are you OK?

Mr. HALL. Yes, I am all right.

Senator COLLINS. OK. Ms. Hall, do you want to read your father's testimony? I know this has been an ordeal for both of you.

Ms. HALL. I will pick up where he left off.

I am proud to say that Angela is now an attorney, but the money I thought I was due from the sweepstakes never came.

I now realize that the letters I received from sweepstakes misled me into making unnecessary and excessive purchases. I estimate that I have spent \$15,000 to \$20,000 from 1992 to the present on sweepstakes purchases. I have had dealings with all of the major sweepstakes companies, including Reader's Digest, Publishers Clearing House, United States Purchasing Exchange, Michigan Bulb Company, American Family Publishers, and others.

Every time I made a purchase, I always looked for the cheapest products. I always made purchases because I believed that through purchases I increased my chances of winning. The mailings always looked official, and they used a lot of tricky phrases. The letters were confusing. They always led me to believe that I had to pur-

¹The prepared statement of Mr. Hall appears in the Appendix on page 109.

chase products to win. I thought that my past purchases made me more likely to win.

I was not aware of the “no purchase” option. The instructions which were written on the back of these sweepstakes entries were so small and hard to read that I could not read them without a magnifying glass. Moreover, I believed from the letters I received that my purchases gave me a better chance of winning. After all the time and money I have spent, I have nothing to show for it. I have never won anything.

The sweepstakes used phrases that made me think I was a winner and that the prize was guaranteed and bonded. Over the years, I received many personalized letters from the sweepstakes companies thanking me for being such a good customer and telling me that my chances of winning were good or that it would be my time soon.

I have a copy of a letter from Dorothy Addeo, Publishers Clearing House contest manager. I would like to read a short portion of the letter. “My boss dropped into my office the other day, sat down and sighed.” and “What’s the story with Eustace Hall? I see that name on our Best Customer List, on our Contenders List, on our President’s Club Member List. But I don’t see him on our Winner’s List. There must be something we can do to change that. It’s not right when someone as nice as Eustace Hall doesn’t win.”

This is just one example of how I was led to believe that my prior purchases made me special. I purchased things I did not need, magazines I did not read. Some of the stuff I purchased I never even opened. I stored the things in my garage and attic and tried to sell some at garage sales, but I got very little money for the stuff since most of it is just junk.

Another thing that cost me a lot of time and money was entering the sweepstakes. I was informed by Publishers Clearing House that, if I returned my sweepstakes entries within 24 or 48 or 72 hours, I would win a specific prize. I often drove 20 miles to the main post office to make sure my entry would get there in time. I often spent money to send the entry in an express or priority envelope just to make sure I would meet their deadlines. Nothing happened.

Super Bowl Sunday was always a very depressing day for me. Super Bowl Sunday is when the Prize Patrol delivers the big prize. I always thought it was going to be my lucky day, but the Prize Patrol never came to my door. I always became very depressed after I did not receive a visit from the Prize Patrol.

I now realize that I was not special. I was never close to being a winner. They just sent me mailing after mailing with each one making it seem like I was closer to the prize. Well, they are the ones who won the prize—all of my money. Playing the sweepstakes cost me a lot. I had to return to work. I refinanced my house several times. And I had to borrow money from my pension fund four or five times to pay my sweepstakes debts.

I thank you for the attention you are paying to this matter. If new laws help to stop someone from going through what I had to endure, you have done a good job. It just is not right the way these companies are allowed to mislead and feed upon good people’s trust. Thank you.

Senator COLLINS. Thank you very much, Ms. Hall. Thank you, Mr. Hall. I know it is a very difficult situation, but hearing your experience is going to help others, and it will help us also get tough new legislation through so that this can't happen to other people. So thank you for sharing your experience with us.

Ms. Gelinias.

TESTIMONY OF CAROL GELINAS,¹ BANGOR, MAINE

Ms. GELINAS. My name is Carol Gelinias, and I would like to tell you about how my late father, Clyde Schott, was victimized by sweepstakes promotions. My father had been a middle-management sales executive for the Crane Company in Chattanooga, Tennessee. After his retirement in 1977, he worked part-time for several years for the TVA just to have something to do. He didn't like being home alone.

Following the death of my mother in 1982, he lived alone in Chattanooga until 1991, when health problems forced him to move to Bangor, Maine, where my husband and I live. He then moved into an assisted living facility. At the time of his move, he had granted me power of attorney in anticipation of possibly needing help in the future. Up until this time, he had handled all of his own affairs, including managing his investments, which he continued to do for some time after his move.

My dad successfully invested his money, monitored his stocks and mutual fund investments, while at the same time his sweepstakes-related purchases became excessive. Due to health problems, approximately 15 months after his move to Maine, I became involved with his personal affairs. It was at this time that I became aware of the amount of money he was spending in connection with sweepstakes promotions.

In trying to balance his checkbook, I discovered he was writing 30 to 40 checks each month, when his only bills were his rent, telephone, and cable TV. Most of the checks ranged from \$5 to \$20, and frequently he had written many checks to the same organization for the same amount of money. Looking back over his checkbooks, I realized that over the 14-year period or so, I estimate that he had spent approximately \$60,000 on sweepstakes-related mailings between 1982 and 1996.

When I visited my father, he often had small items of costume jewelry, watches, synthetic unset gems, and other trinkets that he wanted to give me. He said these were "free gifts" to him and that he had no idea why he had received them. In actuality, he had returned purchase agreements that had promised a "free gift," not realizing that he had also ordered books, which his poor vision prevented him from reading, audio and video tapes, music boxes, vitamins, etc.

Even though I possessed power of attorney, I found it very difficult to stop him. My father had always been a very independent person, and it was important to his self-worth to remain at least partially in control of his affairs. I had explained to him many times that these "free gifts" were not free, but he truly did not understand. I finally managed to set up a separate checking account

¹The prepared statement of Ms. Gelinias appears in the Appendix on page 110.

for his use, into which I deposited \$300 a month, knowing full well that all of it was spent in the vain attempt that he was about to win a fortune in a sweepstakes promotion. He ordered tapes, books, videos, and gift subscriptions for other people, believing that he was so close to winning that these purchases would virtually guarantee it.

Particularly insidious were the "personal" letters addressed to him in a way that led him to believe that he was one of two or three finalists in sweepstakes promotions. He did not understand that these were generated by a computer. If the internal address was to him personally, at his residence, and it began "Dear Clyde," he was certain that he had been selected for special consideration. He always referred to these as "letters" and greatly enjoyed receiving them, even if he received 30 or more identical ones from the same organization on the same day. They made him feel important, and he would often tell me with great satisfaction how many of these "letters" he had received that day.

In tiny print, often in a shade of gray on a gray background, these "letters" accurately gave the odds of winning as 1 in 100 million or more. But this was literally invisible to him. Others informed him that he was a "guaranteed winner" and that all he needed to do to receive his prize was submit a processing fee, amounting to \$5 to \$20. The prizes included such things as checks for 25 cents and maybe one of the trinket items that, as far as he was concerned, were of great value and just came to him "out of the blue."

Two of the biggest problems I had were with Reader's Digest and Time-Life audio tapes. He had accepted "free gifts," again, that enrolled him in automatic purchase plans. When the purchase item arrived, he would give it to me, not knowing why he had gotten it. When I contacted Time-Life, I learned that in 1 year in particular he had made purchases of over \$1,500 in merchandise, all of which he thought was free. The company was helpful in disenrolling him once the outstanding bills were paid and discontinued mailing to him.

Reader's Digest, however, was extremely difficult to deal with. I called them a number of times on different occasions, directing them to remove his name from their mailing list. I paid the outstanding bills, often amounting to hundreds of dollars at a time, and sent them a copy of my power of attorney. However, as soon as he was disenrolled, they sent him another promotion and started the whole series all over again. What finally stopped this was nothing that I was able to do personally, but my father's failing eyesight. This led him to give me all of his mail, and I was able to intercept the continuous bombardment of Reader's Digest promotions.

Unfortunately, one outcome of these encounters was my father's suspicion that he really had won millions and that somehow I had taken it. When my husband and I went on a vacation or on one occasion when we bought a new car, my father was very suspicious about how we could afford these things and thought it was his money.

Senator COLLINS. Thank you very much. Ms. McElligott.

TESTIMONY OF PATTI McELLAGOTT,¹ TYLER TEXAS

Ms. McELLAGOTT. Good morning. Thank you for inviting me.

My name is Patti McElligott, and I live in Tyler, Texas, where my husband and I own a lawn sprinkler company, and I have come today to share my family's experience with the mail abuse by both magazine companies and so-called charities.

My husband's father, Joseph P. McElligott, Sr., was a retired Army lieutenant colonel. He was active in the community and church and took care of all of his affairs until he was moved into a retirement center in May 1998. Mr. McElligott started playing the sweepstakes in 1992. For quite some time, my husband had been after him about the amount of mail he received and emphasized you should not believe everything that you receive in the mail.

After we moved my father-in-law into a retirement center, my husband and I went to his home and removed the mail so that we could go through it and determine what needed to be dealt with and what could be thrown away. I took out thirteen 33-gallon trash bags of mail. Ninety-nine percent of what I threw away was sweepstakes, contests, or various organizations asking for money. Many were duplicates of the very same mailing.

We immediately had all of his mail forwarded to us at our office and made sure that his phone number at the retirement center was unlisted. I began receiving numerous magazines, sometimes as many as 20 in 1 day. At first, I threw them aside thinking the subscriptions would end. I had business and things that I needed to deal with. The magazines continued to pour in, and I began to notice that we were getting multiple copies of the same magazine. Five issues of *Time* in the same day, three issues of *TV Guide* in the same day, two issues of *Guns and Ammo* in the same day, and on and on.

On August 5, 1998, my father-in-law died, and at that point I was actively able to do something about this mail. I happened to look at an expiration date on a magazine label 1 day and noticed the subscription went past the year 2000. At that time, I started to look at all the labels and noticed that the majority of them went past the year 2000. One subscription to *U.S. News and World* report ran to the year 2018. I began to call the magazines and requested refunds.

When I called the magazine companies, more times than not I was told that the subscription was through American Family Publishers or Publishers Clearing House. And after making several calls to American Family Publishers and Publishers Clearing House to request refunds, my father-in-law's records mysteriously disappeared. After insisting that the records must be there and that the IRS requires all information to be available for 7 years, we were told we had to speak to a supervisor, none of whom were ever available.

To date, I have deposited or am expecting nearly \$3,000 in magazine refunds. We still have some we have not had time to contact. And we found it interesting that some organizations, like NRA, consider the "fee" to be a contribution and the magazine was a gift.

¹The prepared statement of Ms. McElligott appears in the Appendix on page 111.

Therefore, there is no refund, nor would they tell us how long he was paid up to.

After going through most of the records, we found canceled checks in the amount of \$8,704.09 for United States Purchasing Exchange, \$1,075.71 for Time Warner-Sony Sound Exchange, \$1,931.09 to Time-Life Books, \$10,098.68 to Reader's Digest, \$2,088.85 for American Family Publishers, \$3,090.08 to Easton Press, \$6,797.52 to Publishers Clearing House, \$123.64 for Magazine Express, and \$1,776.53 for Astronomy Book Club. In total, we have found canceled checks which totaled more than \$34,000 to the above companies. Additional checks made out to individual magazines along with the above companies totaled \$53,335.13. And I might add that is all the checks I have had time to go through.

My father-in-law has subscribed to over 158 different magazine titles. Many of the checks were made out to the magazine itself, but we have noticed that the checks were deposited into accounts of American Family Publishers. We also had multiple subscriptions to the same magazine. The most blatant abuse was 32 subscriptions to *U.S. News and World Report* with 17 of them going through Publishers Clearing House, 4 through American Family Publishers, and 11 through the magazine itself. There were numerous subscriptions to *Time* and *TV Guide*.

I firmly believe that my father-in-law's name had been passed onto a "sucker list" for questionable charities as well. We have not sorted and calculated all of the checks, but it will surpass the amount of the magazines. The common thread seems to be, again, sweepstakes, contests, and the promise of winning money.

We have worked with the post office since the end of October to save all "junk" mail, and we pick it up from them. Since the end of October, we have amassed three large archival storage boxes of junk mail, including contests, sweeps, and charities, most of which are bogus. We have noticed quite a few from Topeka, Kansas. The post office boxes are similar with merely a few box numbers difference. We have contacted the Better Business Bureau in Topeka and requested information on these various organizations. We were told that every year a form was sent out and information was requested. Legitimate charities and organizations return them. None of the ones we had were listed, with the exception of one returned the information.

These are the highlights of what we discovered in reviewing my father-in-law's check registers and mailings. We have boxes of mail proclaiming Mr. McElligott as the winner of millions of dollars. This mail abuse on our elderly must stop. My father-in-law came from a generation that was trusting. He could not believe people would actually try to swindle him. Many elderly people are just as trusting, and I assure you there are many more Joseph McElligott's out there.

I hope these proceedings will heighten the awareness of this issue to prevent other families from having to endure this abuse.

Thank you.

Senator COLLINS. Thank you very much. Dr. Beukema.

**TESTIMONY OF STEPHANIE BEUKEMA,¹ CAMBRIDGE,
MASSACHUSETTS**

Dr. BEUKEMA. My name is Stephanie Beukema. I am a licensed psychologist from Cambridge, Massachusetts.

I am here today to tell you about my mother's involvement with the purveyors of junk mail.

My mother always invested her money wisely and lived frugally until she became involved through the promise of prize money from companies like Reader's Digest and Publishers Clearing House in order to replenish her savings after treatment for breast cancer. The lure of luck and personalized letters that seemed to single her out led her to respond to several mailings from several companies. She spoke about her "ship coming in" and asked why she shouldn't be as lucky as the next person. She would receive letters that "promised" a reward for an immediate response. She would dutifully respond, immediately sure that she was within the time parameter. Her excitement built.

She had been told to have several family and friends available for that lucky moment when she would receive her prize money and benefits. This moment kept getting put off. It did not diminish her belief. But 6 months became a year and a year went to a year and a half. She believed what she read in the letters. My mother was very trusting of traditional organizations like the post office and Reader's Digest.

As she became more involved, her mail-driven activity took up more and more of her life. She couldn't leave her home to visit family and friends overnight because she might miss a mailing or a surprise visit from a company representative. She had to be there to get the mail every day. There was more and more mail with boxes of it arriving on a daily basis. Who could find the gas bill and the tax bill in all those letters?

She began to irregularly pay her ongoing bills as she started juggling money so she would have enough to send to Publishers Clearing House, The Lottery Doctor, and American Purchasing Company. She couldn't even pay large expenses, like homeowner's insurance and property taxes, because she didn't have enough money in her account. She then stopped paying for the magazine subscriptions she had ordered, and the debts began to mount and they went into collection.

She became very defensive with her family and friends and insisted that she was as likely to win as anyone: "Someone has to win and why shouldn't it be me?" she would ask. She was in danger of having her house and property repossessed for non-payment of taxes when I, along with my siblings, stepped in and suggested that she needed some help. In her house, there were literally narrow paths between boxes of unopened mail, stacks of magazines, books, and videos, and boxes of merchandise she had ordered.

After participating in sweepstakes for 18 to 24 months, she had spent somewhere between \$60,000 and \$80,000. She had sold stocks, had thousands of dollars in credit card debt, and, most humiliating for her, she had lost her good name in town. She was frightened she would be seen as losing her faculties, so she hid

¹The prepared statement of Dr. Beukema appears in the Appendix on page 112.

more. She voluntarily gave financial power of attorney to my brother, who was responsible for my mother's finances until her death in December 1998.

In October 1994, I stopped all junk mail in my name from coming to my house. I was unable to do so for my mother at her house. In some cases, it was nearly impossible to contact some of the sweepstakes companies because they did not include addresses on their packages. Many people are vulnerable to fraudulent mail practices because they are more trusting of the signs of legitimacy, like the name "Reader's Digest." They are vulnerable to letters that appear original and personalized when, in fact, they go out to hundreds of thousands of people. They respond to what seems friendly, exciting, and promising. It is shameful what passes as legitimate and accepted business practice when it decimates a person's sense of themselves as well as their livelihood.

I am reasonably intelligent and not yet elderly. I could easily spend several hours a day trying to understand the fine print that is included in much of the mail that still comes to my house. I spend several hours a week protecting myself from unwanted solicitation. While the laws that exist may be sufficient to protect me as a citizen, I really don't think they are adequate to protect unusually vulnerable populations like the elderly, who are not as capable of protecting themselves from deceptive sweepstakes practices. I also am very troubled when I begin to consider that the government itself can be seen as legitimizing these practices by implicitly condoning fraudulent and unethical scamming as legitimate. The mail is delivered to your house by government employees. It all looks legitimate, but what comes to pass is shameful and secret.

I would like to thank you for allowing me to share my mother's story with you. I hope that through these proceedings other senior citizens will be spared the public embarrassment and humiliation that my mother experienced.

Senator COLLINS. Thank you very much, Doctor. Mr. Doolittle.

TESTIMONY OF CHARLES DOOLITTLE,¹ INVERNESS, FLORIDA

Mr. DOOLITTLE. Good morning. My name is Charles Doolittle. I am from Inverness, Florida. I am here today to share the story of my parents' involvement with the sweepstakes. My father is 84. He is a retired executive from a Fortune 500 company, and my mom is 83 and has always been a homemaker. They live close by, and I have power of attorney over their affairs.

My parents initially became involved in sweepstakes in 1992. My parents routinely participated in sweepstakes offered by United States Purchasing Exchange, Publishers Clearing House, Reader's Digest, American Family Publishers, and assorted charities seeking donations. Mom and dad had always purchased items believing that purchases enhanced their odds of winning.

Mom and dad bought magazines they never read and products of little or no use to them. They purchased numerous compact discs and VCR tapes even though they didn't have a CD player or a VCR.

¹The prepared statement of Mr. Doolittle appears in the Appendix on page 113.

I have brought checks here which reflect money they spent on these mailings in 1997: \$704.30 to American Family Publishers, \$3,036.60 to Publishers Clearing House, \$1,713.28 to Reader's Digest, \$260.90 to Time, \$3,993.07 to United States Purchasing Exchange, and \$413.06 to assorted charities. That is \$10,121 in 1 year. And that is not all of them. That is most of them.

I believe our Nation's seniors are very susceptible to the deceptive mailing practices of some companies. It always amazed me when I went to visit mom and dad and saw the pile of solicitations they received on a daily basis. There always was a pile on the dining room table of sweepstakes, many of which stated they were a winner or a finalist. The mailings implies that they were valued customers and that because of their past purchases they would soon be big winners.

I asked my mailman if the sweepstakes offerings they received was an unusual amount since they seemed to receive more than their share. The mailman told me he had several people on his route who received numerous sweepstakes offers every day. The mailman said that most offers seemed to go to elderly widows.

The last few Super Bowl Sundays have been tough. Mom has been convinced that her prize would be delivered on Super Bowl Sunday and insisted on being home to collect her winnings. Mom believed that the Prize Patrol was going to show up on her doorstep to deliver the grand prize.

I also have a complaint with the billing procedures. I believe some of these organizations may double bill and double ship merchandise to unsuspecting seniors. Customers end up sending payments, placing more orders, and the cycle continues. It is like watching somebody take money right out of my parents' pockets and there is nothing I can do.

I have tried contacting companies to get my parents' names off mailing lists, but to this day the offers continue to roll in.

It may be too late for my parents, as they have already lost thousands of dollars. It is my hope, however, that these hearings will shed some light on what I believe to be a fraud perpetrated upon the most vulnerable and trusting seniors. Thank you.

Senator COLLINS. Thank you, Mr. Doolittle. Dr. Carter.

TESTIMONY OF KAROL CARTER, DVM,¹ TROY MICHIGAN

Dr. CARTER. Madam Chairman and Members of the Subcommittee, my name is Karol Carter, and I reside in Troy, Michigan.

I would like to say I am here on behalf of my 86-year-old father, Allan Carter, but he currently is upset that I am attending these hearings. He is concerned that I am ruining his chances of winning a Reader's Digest sweepstakes when he, "is getting close to winning." My father has a doctorate in organic chemistry and retired from Chrysler Corporation. He resides with my 84-year-old mother in a condominium in Troy. I have never questioned his intelligence, but since the sweepstakes began, all sense of reasoning with him has become impossible. He has never gambled in his life, nor will he play our State lottery.

¹The prepared statement of Dr. Carter appears in the Appendix on page 114.

The problem began innocently enough with his first entry to a Reader's Digest sweepstakes about 15 months ago. He suddenly was inundated with contests from all over the United States, Australia, England, and Canada. I began a serious effort to halt this by contacting the Postal Service and was advised to write the Mail Preference Service Direct Marketing Association in Farmingdale, New York. I wrote twice, the last date July 8, 1998. I have mailed 26 certified letters to 26 companies who have contacted him, requesting the stoppage of all solicitations and that his name be removed from the mailing list. I requested a letter of response.

My father is totally convinced that these contests are legitimate. The marketing concepts of these companies are cunning. All sweepstakes are associated with making a donation, paying an entry fee to upgrade your winnings, or making purchases. Small print notifies "no purchase necessary to enter." If you decline to purchase or to upgrade, the address for your "No" entry is different from the address for the "Yes, I would like to buy something." My guess would be that one leads to a trash dumpster and the other to company profits.

An example of this is the Motor Vehicle Awards entry which states, "You have been identified as an award recipient in a national sweepstakes. You, Allan Carter, are guaranteed to receive a brand new automobile or cash award. There is no mistake. Your award is waiting to be claimed. Your award has been confirmed by our auditing department and is formally identified by the award registration number that has been preselected and assigned by Motor Vehicle Awards. Legal title to the brand new Chevy Malibu will be executed and transferred to you, Allan Carter, pursuant to and in accordance with the Motor Vehicle Code of the State of Michigan and the regulations of this presentation as they appear on the reverse side of this document. In addition, an Optional Commodities Package with a fully redeemable value of over \$2,500 is being held pending your submission of the standard acquisition fee." The fee is \$14.98.

The award registration form asks to verify the correct name and address, but also requests a telephone number and if you have a Visa or MasterCard. The back of the form states that the winning claim number has been preselected and that 3 million copies have been mailed. My father entered this contest in July 1998. Further reading reveals that all entries must be received by August 31, 1999. The grand prize will be awarded on or about October 1, 1999. This allows Motor Vehicle Awards a year to collect \$14.98 from those willing to fall for the Commodities Option, as he did.

Another sweepstakes gimmick is games of skill. Games such as Cash 21 require you to try to obtain the highest possible total score with the last two digits of the solution not exceeding 21. You continue to receive new entries to the same contest to break your tie score with other contestants. My father received eight entries on the same day in the mail. All were to the same contest but each with a different ID number. A \$1 processing fee is required for each entry. If you do not continue to the next level, you receive further mailings stating, "You are in danger of losing out on a potential grand prize." I was receiving daily calls to help him with this contest.

Sweepstakes are also supported through “donations.” The contest states that most “winners and entrants” include a small donation to help provide food, shelter, medical supplies, or whatever for animals, children, or veterans. Boxes are normally marked \$10, \$15, \$50, etc. My father, generous soul, enters these “free” contests with a \$50 or \$100 donation, foolishly thinking the money is all going to the needy, not run the contest. Once a donation is made, you will receive a similar request on a monthly basis.

Finally, we have contests associated with magazine subscriptions, clubs such as the Travel Club or Favorites from the Classics, and the purchase of catalogue items. At 86 years of age, my father has all the possessions he and my mother should need, or so I thought. Now thanks to Reader’s Digest, American Family Publishers, Time, Life, U.S. Purchasing Exchange, etc., he has enough videos to open a video store—about 200—and at least 150 compact discs.

Many contests implore you to act quickly. Entries must be returned by “next Tuesday.” They arrive in bulk mail with no date. Most envelopes are official looking, with words such as “Very Important Issuance,” “Notice Authorized by Executive Order,” and “Special Advisory.” Some contain promotional \$1,000 bills. The odds of winning vary from 1 in 3,000,000 to the ridiculous Reader’s Digest 1 in 85,000,000. One has a greater chance of being struck by lightning. Of course, all winnings go only to the named contestant. Father stands a good chance of not even being alive by contest end. He thinks the money will go to his estate and help care for my mother. This is the beauty of preying on the elderly. They may not even live to collect the total amount, which is paid out over 30 years, should any of them become the 1 in 85,000,000.

What is this costing him? I feel like Sherlock Holmes sneaking his financial information. Checks written for less than 2 months last year amounted to \$1,400. Charge card expenses for 1 month amounted to \$980, with \$680 to United States Purchasing Exchange. My mother suffers from a dementia which, regarding this mess, is probably a blessing as she has no idea how much money has been wasted.

I cannot take control of the funds of a man who can still drive, shop, get to appointments, take medications properly, and care for my mother. He functions normally in every other way. Though this would stop the sweepstakes, it is too brutal. One might say that his behavior is not normal, and certainly at this point it is an addiction. The contests give him something to do while caring for my mother. He was once an avid reader, but this has been replaced by sweepstakes.

I have read through statements from Ms. Collins, Mr. Levin, and Mr. Durbin regarding the Deceptive Mail Prevention and Enforcement Improvement Act, S. 336, and the Deceptive Games of Chance Mailings Elimination Act of 1999, S. 335. I am here today to lend support to those bills. I am not naive enough to think that these operations can be completely stopped by these bills, but the proposals provide exactly the kinds of controls and protections that I hope can be established. Some say here goes the government meddling. I am both thankful and grateful for your efforts.

Senator COLLINS. Thank you very much, Dr. Carter. Thank you all for your testimony. It was interesting, as you were each testifying, all the rest of you were nodding, and it was obvious that you have all been through very similar experiences. And I very much appreciate your coming forward and assisting us.

Mr. Hall, could you give us some idea of how many mailings you received from sweepstakes companies during an average day? Can you give us an estimate of that?

Mr. HALL. Any amount between 10 and 15 a day I was getting.

Senator COLLINS. So you were receiving 10 to 15 mailings a day.

Mr. HALL. Every day from sweepstakes companies.

Senator COLLINS. And did you find that as you entered these sweepstakes that that generated more mailings?

Mr. HALL. Yes, it did.

Senator COLLINS. I am going to put up a typical mailing, the Prize Patrol mailing, yes. I think each of you has a copy of this mailing.¹

This is from Publishers Clearing House, and, Mr. Hall, I think you said that you may have received this one or similar ones.

Mr. HALL. Yes.

Senator COLLINS. Ms. Gelinas, if you notice this mailing, it is personalized throughout. The consumer's name is throughout it. How big a role is the fact that these appear to be personalized mailings, was this in your father's case?

Ms. GELINAS. It was a really big part of his problem. He thought that anything that came to him with his name in it referring to him as an individual, with maybe a little sticky note that looked like it was handwritten and also had his name on it, he thought that was real.

I think it comes from not understanding what you can do with computers, and to him, when he was in business, before he retired, things that looked like that were personal letters. And he thought they were. He thought he was special, that he was getting personal letters from places because he was so close to winning that he was going to be the winner.

Senator COLLINS. Mr. Hall, did the fact that these were personalized and that your name appeared throughout and that it had language such as "open your door to \$31 million," convince you that you were in a special category and likely to win?

Mr. HALL. Yes, it did.

Senator COLLINS. And did you think that if you made a purchase that that increased your chances of winning?

Mr. HALL. Yes, it did.

Senator COLLINS. So you thought by making a purchase that would help you win, and that if you didn't make a purchase, did you think that you would not be likely to win?

Mr. HALL. Yes, I did.

Senator COLLINS. What is interesting with this mailing is nowhere on these first two pages with the fancy print, which says that you can open your door to millions of dollars, does it explain that no purchase is necessary to win. It is only in the tiny type on a separate piece of paper that you find out that in the rules.

¹See Exhibit No. 2 in the Appendix on page 157.

Is that typical of the kinds of mailings that you received?

Mr. HALL. Yes.

Senator COLLINS. And I would ask this of all of you who have reviewed the mailings received by your parents. Did you find that there was a lack of understanding that, in fact, no purchase was necessary to win because of the way these mailings are set up, because the rules, if you will, are on a separate piece of paper in very small print? I am just going to go down and ask you each to comment on this. Ms. Gelinás.

Ms. GELINAS. Oh, absolutely. Many of the things, the print was way too small for my father to even read with a magnifying glass, especially towards the end of his life where he had failing vision.

He didn't even know it was there. But he also knew because he was a preferred customer he reached this tier, that tier, or whatever, and was somehow special, that he was very close to winning and all he had to do was maybe buy one more book or one more videotape and he was guaranteed to win.

Senator COLLINS. And he became a preferred customer by making purchases, correct?

Ms. GELINAS. Oh, absolutely, yes.

Senator COLLINS. So there, again, reinforcing that link.

Ms. GELINAS. Absolutely.

Senator COLLINS. Ms. McElligott.

Ms. MCELIGOTT. Yes, I would agree with that. I would also like to add that due to the volume of mail they were receiving every day, they would not sit there and read through all of that. Yes, you need a magnifying glass. It is hard for me to read it. If you have all of this sitting here proclaiming you are a winner, you are going to glance at it and go for the big stuff—"I trusted these people; these are not going to lie to me"—and keep reading.

Senator COLLINS. Dr. Beukema.

Dr. BEUKEMA. Yes, absolutely. She believed that if she purchased, then it would increase her chances. And one of my brothers would take her his junk mail and say, "look, I send in the same things with no money, and nothing happens." She wouldn't believe him. She believed that absolutely she was still getting something different, something more, and, indeed, she did get a lot more. And there was something in just the sheer amount of material that came to her house that made her believe that she really was incredibly close now and she had to purchase.

Senator COLLINS. Mr. Doolittle.

Mr. DOOLITTLE. Well, if you have 50 to 60 envelopes a week, with all this paperwork in there, and you are going to enter a sweepstakes, 50 or 60 of them a week, you don't have time to read the small print. You are going to hit the highlights of it and move your little stamps around and write your checks and order what you want. Then when you try to point things out, you are just wasting your time, they are going to win. It says we are going to win.

Senator COLLINS. I think that is an important point, in many cases the language is unambiguous. It isn't qualified.

Mr. DOOLITTLE. Why would they read it when it says they are going to win?

Senator COLLINS. That is a very good point. Dr. Carter.

Dr. CARTER. The majority of the instructions are always on the back of the entry form, and in my father's case, he would probably receive anywhere from 12 to 20 envelopes a day. So this was a full-time job just filling out these entry forms. They have so many steps and stages that you have to go through on these forms, plus make out your check you are going to send them. He never bothered to flip over the entry form to see when these contests ended, or to see what the rules were.

They stated in many instances that the address you mail to was different, and all the instructions for where this envelope went if you didn't want to purchase was in small print on the back of the contest. It was always a totally different address, and it would be a lot of work for someone who is doing 20 of these a day to sit down and rewrite envelopes. You had to fill out your own envelope if you didn't want to buy something. So it was much simpler just to go ahead and order, whether he needed it or not.

Senator COLLINS. There is one mailing that we have which we will be talking about more tomorrow where the print size of the disclosure that you don't have to make a purchase to win and the odds is in 6.5 point print. I cannot read it. I had to have my much younger staff members point out on the back where the disclosure was. And I, at age 46, cannot read the print, I imagine that most people older than that cannot either. And I think that is an example of what we are talking about.

Ms. McElligott, you did a lot of work trying to get refunds from companies. Could you explain to us any problems you had in seeking refunds? And I also understand that your efforts in seeking refunds actually generated more solicitations. Is that correct?

Ms. McELLIGOTT. Yes, ma'am. That is correct. In fact, I brought the "McElligott estate is a winner," and this is not the first one we have received. In our effort—

Senator COLLINS. Let me just clarify that point. This is after—was it your father or your father-in-law?

Ms. McELLIGOTT. Father-in-law.

Senator COLLINS. Your father-in-law had died. You started as a result of your complaints then getting solicitations addressed to his estate?

Ms. McELLIGOTT. Yes. The estate would like to have the money, by the way.

Dealing with the magazine companies to obtain these refunds has been an education in itself, and it has never been easy. What started out with, Hello, my name is so-and-so, and I am the daughter of . . . who has now died, the estate would like to request a refund, and would you please take us off your mailing list? And could you tell us, does he subscribe to any other magazines with you?

They don't want to tell you this information. Some companies were so brazen as to ask me, Do you have canceled checks? How many do you have? Well, yes, I do have canceled checks, but how many subscriptions do you show him having? Well, we will have to get all of our records.

As I went through the process, I became a little more savvy in my questioning of, Do you have his name under any other similar spellings? But whenever you would call in, it was: Give me your

zip code. Well, I am sorry, but in Tyler, Texas, there are only two McElligott families, my father-in-law and myself. And this is not difficult, and his zip code is different from my zip code. So if you pull up that zip code, anything reasonably close to our name should have come up.

At one point we had contacted either American Family Publishers or Publishers Clearing House and, after repeated contacts, his records disappeared. We were told: We don't have any records; they have been purged. And after much insistence, we were told a supervisor would get back with us.

Some checks we were told were mailed, and we would go back and say, no, we have not received them. Yes, you have. Then send us a copy of the front and the back with the endorsements. And suddenly, oh, they haven't been mailed. And we would get the checks.

Senator COLLINS. Mr. Doolittle, I know you tried to get some refunds also, and one of the things that is striking in your example of that stack of checks is it shows that because each individual purchase is small, people don't realize how much money they are actually spending in the aggregate.

Could you comment on your experiences in looking through these checks what the average amount is perhaps?

Mr. DOOLITTLE. I am not sure what the average is. I think it is somewhere around \$28. But the biggest bulk of them are to Purchasing Exchange and Publishers Clearing House. You know, once you start down this path, you have to write some days 10, 15 checks because there were different—my mother does all the writing of all the checks, and sometimes she was sick for a month, 6 weeks, so no checks got written. The only checks that got written were the ones I wrote, and that was for the cable TV and electric. It sure the hell wasn't for this stuff.

So everything these people are saying, I have been there and seen that, done that, and it is a mess. I don't think this is what we want for the elderly people. I don't want it for my parents. I don't want it for their parents.

Senator COLLINS. I am going to yield to Senator Levin for his questions. Before I do, I want to pick up on a comment that Dr. Carter made about your odds of winning.

I have noticed in some cases the odds are stated, although always in small print. But in other cases, the companies just say the odds depend on the number of entries, which isn't exactly very informative.

In fact, I was thinking that perhaps one way to inform consumers is if we required a very clear statement of odds using some information that was in the *Washington Post*, which is that your odds of dying from bites from venomous snakes, lizards, and spiders are greater than your odds of winning one of these major sweepstakes. Perhaps that would have discouraged Mr. Hall from entering.

Mr. HALL. Yes, it would have.

Senator COLLINS. It would have.

Mr. HALL. Oh, yes.

Senator COLLINS. Senator Levin.

Senator LEVIN. First, I would like to put up a picture of a basement room in your father's house, Dr. Carter.¹ I am not sure this is a basement, actually. It is a room—

Dr. CARTER. Yes, it is a basement.

Senator LEVIN. It is a basement room. Can you describe what those boxes are?

Dr. CARTER. Well, I would really have needed to use a panoramic view to get the whole field of boxes. That is not entirely all of them. The only thing that is not purchased is a hanging closet for some clothing and a chest of drawers in the back. Most of these are all items which remain boxed that he has purchased that he has not even bothered to open. I think he is saving a lot of these items, which, of course, he never wanted or needed in the first place because he feels that at any point in time he can mail these all back and receive a full refund.

Well, at this point in time, it is such a mess that I am not sure how we will ever be able to figure out where any of these items go to.

There are silly things in there like feather dusters, plastic fake crystal vases, all kinds of Tupperware-type products, even a rear-view mirror magnification item which you can hang on your rear-view mirror, which I am sure is totally illegal to drive with. It just goes on and on.

Senator LEVIN. Is that just one portion of that room?

Dr. CARTER. Yes. There is some more, and also the garage has some.

Senator LEVIN. And over what period of time?

Dr. CARTER. This has been within a year, so this has—thank heavens, really been a recent happening because had he begun 4 or 5 years ago, he would have probably wiped out his savings.

Senator LEVIN. Ms. McElligott, you held up an envelope that looks something like this.²

Ms. MCELLIGOTT. Yes, sir.

Senator LEVIN. Could you hold that up again? I am just curious if by some chance it is—could you read those big words there at the top?

Ms. MCELLIGOTT. It says, "Joseph P. McElligott Estate has won \$1,666,675 and payment is scheduled to begin."

Senator LEVIN. OK. Is there some real fine print above that?

Ms. MCELLIGOTT. Below it, it says—

Senator LEVIN. Is it below it?

Ms. MCELLIGOTT. Oh, above it or below?

Senator LEVIN. Either one.

Ms. MCELLIGOTT. OK. Above it—

Senator LEVIN. If you can read it.

Ms. MCELLIGOTT. Let me get it out of the envelope. Let me take it out of this one. We have opened this one.

Senator LEVIN. Because this is the fine print, folks, that they all rely on. You see, the recipients of these letters get the come-ons in big print, such as Ms. McElligott just read. Now I think it is similar to stuff I have seen.

¹See Exhibit No. 19 in the Appendix on page 209.

²See Exhibit No. 18 in the Appendix on page 208.

Now the fine print that nobody reads.

Ms. MCELLIGOTT. The fine print, which is in a much paler—it is in a soft gray: “If you have and return the grand prize winning number, we will officially announce that.”

Senator LEVIN. Right.

Ms. MCELLIGOTT. And then below it, it says, “And then the list of major prize winners in sweepstakes presented by Life would read as follows.”

Senator LEVIN. Now, what we will be hearing tomorrow is that it is that fine print that makes this legal.

Ms. MCELLIGOTT. It makes it legal, but it is difficult to read.

Senator LEVIN. But it is hopefully not going to be legal after our legislation passes. That is one of the points, many points of these bills, which is to make illegal putting in big print you have won all this money and then in very small fine print the qualifier that nobody reads, because our bills require that the notice of the qualifications, conditions, be in large print. This is just one of many changes that are in our legislation.

I am not saying that that goes anywhere near as far as we have got to go to stop these disgraceful practices, preying on elderly people to make money.

Now, this is one of the things that is typical of these come-ons. This is one we will talk about with one of our witnesses tomorrow, very similar to what you have. This is what the person reads in the envelope: “We can now confirm that your number is the winning number, and you”—the name here—“win \$1,666,000.”¹ Someone reads that. This person reads that. What they don’t read because it is so small and usually on a background that they can’t even make out the writing from, it says: “If you have and return the grand prize winning number.”

But what they are depending on is that a human eye will see what is large and not be able to pull out very fine print. They are depending on people not having a magnifying glass nearby so that they can use a magnifying glass to read the fine print. And then on the back of that envelope are the conditions. Even with a magnifying glass, I am not sure I can read those. I can’t read that with my own reading glasses on right now. That is how small it is. And that is how small the words “No purchase necessary” are.

Now, one of the things that I hope we will do, which is in the bill that I have introduced, is not just to say “No purchase necessary.” That is not nearly good enough. The point is that buying something will not increase your chances of winning. That is the critical information. Because you can tell somebody, even if they read that no purchase is necessary, they can still think that, well, it may not be necessary, but it is going to help my chances of winning. And you are all nodding to that, so I would like to kind of get your reaction to that.

Mr. Hall, is that correct?

Mr. HALL. Yes, very good. That is a very important sentence there.

Senator LEVIN. Ms. Gelinis.

¹ See Exhibit No. 10 in the Appendix on page 182.

Ms. GELINAS. Oh, absolutely. My father absolutely believed that if you didn't buy, it wasn't—you were off the list. You were off the top of the list.

Senator LEVIN. But even if he read the words "No purchase necessary," would he not still believe that it would help increase his chances of winning?

Ms. GELINAS. Oh, absolutely. "Everybody knows that if you buy, your chances are better."

Senator LEVIN. All right. Thank you.

Ms. McElligott.

Ms. McELLIGOTT. Yes, I agree and would encourage you to add that to the phrase.

Senator LEVIN. All right. Thank you.

Ms. Beukema.

Dr. BEUKEMA. It goes along with the sort of phrase I was raised with. You know, there is no such thing as a free lunch. So, of course, you have to buy. These are the values that guide your life. You have to keep doing what you have always done. But in this case, it is completely exploited.

Senator LEVIN. OK. Mr. Doolittle.

Mr. DOOLITTLE. Put it in big letters.

Senator LEVIN. Put it in big letters, OK.

Dr. BEUKEMA. And all in the same color.

Mr. DOOLITTLE. If I can take off my glasses and read it, then it is big enough.

Senator LEVIN. OK. Thank you.

Dr. Carter.

Dr. CARTER. My father fully understands that these purchases are basically essential for increasing his chances of winning, and I think he really does not need the items he has bought and never really planned on using them, but these were items that had to be purchased to allow this contest to be favorable for him.

Senator LEVIN. Now, these letters prey on people's vulnerabilities and loneliness and hope to be independent and help their children get through college, as in your situation, Mr. Hall. They prey on all of those human feelings, sometimes human frailties, and that is what we are going to have to try to stop, that exploitation, by closing loopholes in existing laws. But we have also got to toughen laws which already exist where people do things that are already illegal, but the penalty is so weak that they can make money even if they ever had to pay the penalty.

For instance, under the postal regulations, you have to violate an order before you can be fined. The fine is minimal. But why should you have to violate an order? Why shouldn't you be fined a significant amount if you violate the law or the regulation? Why must the Postal Service have to issue an order that you violate before you are subject to a fine? So we are hoping to change that as well.

I just want to have a couple more questions with Dr. Carter about that letter, if we could put that back up.¹

One of the intriguing parts about this letter to me is that this come-on guarantees that you have either won a brand new automobile or a cash award. No ifs, ands, or buts about this one.

¹See Exhibit No. 35 in the Appendix on page 319.

It is very difficult to even know what they are selling, by the way. It is easy to know what they are getting. They want that \$12—how much is it? \$14.98 for this optional package.

Dr. Carter, you have read this. Do you know what that optional commodities package is that you get for \$14.98?

Dr. CARTER. I have no idea because you get so bowled over by all the instructions. If you can see on the poster to the right, that is the back of the awards. You have to really read through all of this before you figure out what is going on.

Senator LEVIN. After you have read it, you know what is in—

Dr. CARTER. No, I did not. And basically the thing my father saw was "Award Registration Form." He had the idea that he had to send in \$14.98 in order to be entered in this contest. And I honestly thought, when I started reading this Motor Vehicle Award, I was three-quarters of the way through that page, I thought he had actually won. I thought, oh, no, he has finally won something. I got about three-quarters of the way down, and I thought, oh, no, this really isn't going to happen. But I really was convinced.

Senator LEVIN. Even after reading this fully, studying it, looking at it, do you know what the optional commodities package is?

Dr. CARTER. No, I have no idea.

Senator LEVIN. By the way, folks, on this particular one, they guarantee a cash award. And if you read this cash award—I don't know which way to put this because you can't read it either way. But when you read very carefully there, everybody is guaranteed a cash award, 50 cents, when you read those things very carefully. And I am sure if they were here, they would say we guarantee everybody who enters a cash award, just as we represented, 50 cents. That sweepstakes deadline is not yet here, and when it is, I hope this Subcommittee will subpoena these folks, if we can find them, to see how many 50-cent checks even went out to these people.

So we have got two problems. One is the loopholes that need to be closed, but also we have got to toughen very dramatically on existing prohibitions if we are going to stop these disgraceful practices.

Thank you, Madam Chairman.

Senator COLLINS. Thank you, Senator Levin.

Senator Edwards.

Senator EDWARDS. Thank you, Madam Chairman.

Mr. Hall, good morning.

Mr. HALL. Good morning.

Senator EDWARDS. How are you doing today?

Mr. HALL. Pretty good. Thanks.

Senator EDWARDS. I just want to ask you a couple of questions. Do you have one of these exhibit notebooks down there? I think I see one.

Mr. HALL. Yes.

Senator EDWARDS. I wonder if you would turn to the first exhibit, which is a letter from Publishers Clearing House addressed to you.¹

Mr. HALL. Yes.

¹See Exhibit No. 1 in the Appendix on page 155.

Senator EDWARDS. The first thing I notice in this letter is the words "guarantee" or "personal guarantee" in boldface type. Do you see that as you go through the letter?

Mr. HALL. Yes.

Senator EDWARDS. And it looks to me as though it appears one, two, three different times in boldface. Is that correct?

Mr. HALL. Yes.

Senator EDWARDS. Now, if you would look down with me at—there is a large paragraph, four up from the bottom. It begins, "You see."

Mr. HALL. Yes.

Senator EDWARDS. Do you see that?

Mr. HALL. Yes.

Senator EDWARDS. And then it has this sentence: "Now, I have made sure that your invitation includes a special opportunity that guarantees"—"guarantees" being in boldface—"guarantees you will win a prize valued up to five"—that has got so many zeroes, I am not sure what it is. Is that five million?

Mr. HALL. Five million.

Senator EDWARDS. Five million dollars. When you read that, what did that mean to you, Mr. Hall?

Mr. HALL. That I was going to win \$5 million. I am still waiting for it. [Laughter.]

Senator EDWARDS. I am afraid you are going to be waiting a while, it looks like.

Mr. HALL. Yes, I am.

Senator EDWARDS. And this letter contains—I left out a large part of the letter, but it contains a whole discussion about some discussion that allegedly took place at Publishers Clearing House about you personally. Is that right?

Mr. HALL. That is correct.

Senator EDWARDS. And when you saw this sort of description of the fact that they were talking about you personally and how important it was for them at Publishers Clearing House for you to be a winner and guaranteeing that you were going to be a winner, what did all that make you think?

Mr. HALL. That I really was going to win. I did.

Senator EDWARDS. And you were telling us earlier before you got upset, Mr. Hall, basically what you were trying to do was help your daughter go to school. Is that right?

Mr. HALL. That is correct.

Senator EDWARDS. And she was going to law school and you were proud of her and you wanted to help her.

Mr. HALL. That is correct.

Senator EDWARDS. Did it matter to you the fact that this all appeared to be very personal?

Mr. HALL. Yes. I took it very personal, and my daughter always advised me these guys cannot be trusted. And I just thought this is a harmless, reputable company. That is the way I thought about that. And getting a letter like this made me believe that I really was going to win.

Senator EDWARDS. Now, let me ask you this, Mr. Hall: What would have told you, when you got this letter—let's talk about this letter particularly. What could have been in this letter that would

have said to you, you know, my chances of winning this sweepstakes are minimal? What could these folks have put in this letter that would have made that clear to you?

Mr. HALL. If they had put in this letter that my chances of winning were 1 in 100 million, that would have made me—given me the indication that I would not—probably would not be a winner.

Senator EDWARDS. And that is nowhere in the body of this letter. Nothing like that is in the body of this letter.

Mr. HALL. It is not there.

Senator EDWARDS. Now, let me ask you about a different thing. We have some language—Senator Collins has some language, Senator Levin has some similar language—about the nature of what needs to be in these sweepstakes promotions, and we use “easy to find, read, and understand” because of our concern about this small type and how hard it is.

Mr. HALL. Yes.

Senator EDWARDS. Tell me how you would feel, instead of language that is more general like that, if we said that they had to disclose your chances of winning in type that was at least as big as any type that appeared anywhere in the letter—in other words, the largest type. See “Publishers Clearing House,” that big type at the top of that letter?

Mr. HALL. Yes.

Senator EDWARDS. Would it have been helpful to you if they were required to disclose in type as big as the largest type that appears in some of these letters we have seen? Some of the blow-ups, they have very large type on them.

Mr. HALL. Yes.

Senator EDWARDS. Would it have been helpful if we required them to disclose your chances of winning every time you got one of these things, your chances of winning in type that was at least as big as the largest type in the letter?

Mr. HALL. Yes.

Senator EDWARDS. Would that have been helpful to you?

Mr. HALL. Very, very much helpful.

Senator EDWARDS. OK. Now, let me ask Ms. Gelinias—thank you very much, Mr. Hall. That was very helpful.

Ms. Gelinias, let me ask you this question. I spoke earlier about a 1-800 number, which is one of the ideas that I have that I want to discuss with my colleagues. But the concept is to have a 1-800 number where folks could call and have your name taken off all these sweepstakes lists so that they especially don't mail to you, and not just one of them but all of them, one central 1-800 number. Tell me whether you think that would be helpful based on your experience.

Ms. GELINAS. It would have been helpful at the end when I was taking care of my father's affairs to a large extent, but for the 10 years that he lived alone, he never would have called.

Senator EDWARDS. He wouldn't have called himself.

Ms. GELINAS. Oh, no, because he was going to win.

The other thing that I might mention about your large type is if you are going to put the odds on it, it also has to be on the front page, because if it is on the back somewhere, they are never going to turn it over and look.

Senator EDWARDS. Basically the largest possible type on the front page of whatever they receive.

Ms. GELINAS. That is right, because I know my father never looked on the back of any of those things. First of all, as some of the other people have said, it is a full-time job to fill out all these things and write all your checks, and my father was getting 30 to 50 a day between charities—strange charities no one has heard of—and Reader's Digest. And that did—that was his day, filling those things out. And he never even looked on the backs of those things. Even if the print had been big on the back, he never would have seen it.

Senator EDWARDS. So let's play this out. If we had in type that is as big as the largest type that appears anywhere on the document, and on the front page, (1) the chances of winning, and, (2) as Senator Levin pointed out earlier, that purchases will not help your chances of winning in any way—if we had all of that in type as large as the largest type that appeared anywhere on the document, do you think that would go a long way toward dealing with this problem?

Ms. GELINAS. I think that would have helped for my father, yes. I really do.

Senator EDWARDS. And let me ask you one last question. Do you feel like, particularly in the case of the elderly, that when they get these personal letters like Mr. Hall got and I just asked him questions about, that it is important to them, it makes them feel like somebody cares about them, somebody is paying attention to them, they feel important?

Ms. GELINAS. Absolutely. I think that is a big part of it. I used to see my father three or four times a week. He would have letters like this to show me that he was so proud of because, look, I mean, they really were—they felt for him, they were his friends. You know, they were worried why he hadn't won yet. They wanted to make sure he would win. All of that real personal touch really went a long way with him. He trusted them. He believed them. He thought they cared about him.

They didn't care about him. They cared about his money.

Senator EDWARDS. And it created not only a financial response in him but an emotional response.

Ms. GELINAS. Oh, absolutely.

Senator EDWARDS. Can I get a comment from the rest of you on all these things that I have just asked about? Ms. McElligott, if you don't mind?

Ms. MCELLIGOTT. I agree. I would like to see those statements put right up there beside "You have won," and not down in the body of the text, because when they get the volume that they are getting—and this was 1 day, the day I left. They don't have time to keep reading. Their eye goes to what they see first. Put it as big—make them put it in bright red letters—what your odds are. Put it up there so they can see it.

Senator EDWARDS. And, also, that buying something is not going to help them.

Ms. MCELLIGOTT. Exactly.

Senator EDWARDS. Dr. Beukema.

Dr. BEUKEMA. Well, what just occurred to me when you were talking is that if your—people have lived all their life, and so when they see something that says, so-and-so and I were sitting in the office the other day talking about you and wondering why you haven't won, they imagine themselves doing that with someone.

Senator EDWARDS. Sure.

Dr. BEUKEMA. And so they think, oh, it is really happening: that is what I would do; this must be real.

That it is not real, I think, is like, well then why would they say it if it isn't so. It is like with the phrasing, it says I have won. It wouldn't say that if it weren't true. I mean, it assumes a kind of naivete in some way, but it is also not so naive. It is like why else would you write someone something like that.

Senator EDWARDS. But don't you think it also, as we have talked about, makes them feel special?

Dr. BEUKEMA. It makes them feel special.

Senator EDWARDS. Important?

Dr. BEUKEMA. Yes.

Senator EDWARDS. Makes them want to respond on an emotional level.

Dr. BEUKEMA. Anyone else who came to them and said you have won this or this is good for you, the doctor says that, their kids say that. And here are people saying it all the time, only there is more of them.

Senator EDWARDS. Any other ideas besides what we have just talked about, putting the type in as big a print as there appears on the letter, putting it on the front, making sure it discloses the odds of winning in this large type, and also that purchases are not going to help? Anything else specific that occurs to you that would be very helpful?

Dr. BEUKEMA. Not specifically. Those seem very important.

Senator EDWARDS. OK. Thank you.

Mr. Doolittle, could I get your comments on those questions, please?

Mr. DOOLITTLE. I think you ought to put—oh, there is one right there, about a quarter inch height, but do it on the front and the back.

Senator EDWARDS. I see the letter that you have in your hand. It says "letter of intent." What does it say at the top?

Mr. DOOLITTLE. "Letter of intent to award cash."

Senator EDWARDS. If that document said in the same size print what your odds were of winning and that purchases would not help, don't you think that would be tremendously helpful?

Mr. DOOLITTLE. Yes, but they would reduce the size of that print so they can reduce the disclosure.

Senator EDWARDS. They will make them all small.

Mr. DOOLITTLE. So if you just tell them quarter inch in black ink, put it on the front and the back—so many of these envelopes have got six, seven sheets of paper in them.

But I have something to ask you guys. [Laughter.]

Why can't you raise the bulk rate up?

Senator COLLINS. Well, we will pass that on to the other Subcommittee.

Mr. DOOLITTLE. It costs me 33 cents to send you a letter. Right? What does it cost them to send me all this?

Senator EDWARDS. Sure.

Mr. DOOLITTLE. Not much.

Mr. HALL. A fraction of a cent.

Mr. DOOLITTLE. And the mailmen, they are getting tired of carrying it.

Senator EDWARDS. Sure.

Dr. Carter.

Dr. CARTER. I would really like to see them also disclose that when you purchase something or enter that your name is going to be sold. I think it is ridiculous that permission is not requested that your name be sent all over the planet. My father had an unlisted phone number for 15 years. We have changed this number twice. He still gets phone calls. Unfortunately, now he is involved with these Canadian telemarketing scams, and these outfits are impossible to stop.

There is nowhere in any of these entries any mention that your name is going to be passed on to other companies. It says if you win the prize, would you be willing to show up and be on TV or serve as a promotional person, but they say nothing about the person that doesn't win anything.

The other thing I would be interested in finding out is if my father does become a 1 in 85 million chance winner and his payouts are going over 30 years, are they going to pay interest on this million dollar winning? Certainly if he wins a million dollars on April 1, then he is entitled to interest on this million dollars. He is in a sense loaning them this million dollars for 30 years. Nowhere do I see anything that there is going to be interest paid to him.

So these are some things that I think need to be addressed.

Senator EDWARDS. Madam Chairman, I see my time is up, but let me say one last thing. Thank you all so much for being here. Your presence here is critically important to the work of this Subcommittee.

Mr. Hall, I particularly want to thank you for coming here and having the courage to talk about something that I know is a very difficult thing for you to talk about, and you did it very eloquently.

Mr. HALL. Thank you.

Senator COLLINS. Thank you, Senator.

We just have a couple of final questions that Senator Levin and I want to ask you. I am going to ask my question to Dr. Beukema and have Exhibit 6 put up and if you could look in the exhibit book.¹

You made a very interesting point in your testimony. You talked about your mother being very trusting of official institutions like the Postal Service or the U.S. Government. Another part of our investigation later on is going to get into what I call government look-alike mailings. These are mailings that sweepstakes frequently use to make it look like somehow they have the approval of the Federal Government, or in some cases they look like they are from the Federal Government.

¹See Exhibit No. 6 in the Appendix on page 172.

This isn't as clear an example of a government look-alike mailing, but I think it is a mailing that looks very official. It looks like the Postal Service is somehow involved. It says official business. It looks like it has been hand-canceled, although, in fact, it hasn't. It is just bulk mail.

Could you comment a little bit more on the issue of the deceptive nature of the envelopes that lead people like your mother to believe that somehow this can't possibly be deceptive?

Dr. BEUKEMA. Well, it looks like—the eagle is sitting up there. It says “official business.” It has “Do not discard.” All of these things make it seem as if you have to open it and that it does come—it looks like something that comes from the government, and I think that because it came through the government, it came into her house—she didn't have to go out and wait on some street corner to have someone drop it. This was something that came to her house. The postman, who she knows, brings it to her, and it looks official. It says “official business.”

So, psychologically, it is like this is for real. And why would she doubt it?

Senator COLLINS. We have other examples which we will use in subsequent hearings where the mailing looks like a 1099 form.

Dr. BEUKEMA. Yes.

Senator COLLINS. It looks like an IRS document. We have others—this is one I received, by the way, although I have a feeling that I will be dropped from all the sweepstakes lists. [Laughter.]

This one, a lot of these look like they are return receipts. They mimic the official documents that are used by the Postal Service in ways that I think just add to the deceptive nature.

Dr. BEUKEMA. Yes.

Senator COLLINS. Finally, it occurred to me as we were talking about what kinds of disclosure, I am wondering, why do we allow these companies to say “You are a winner”? Why isn't it “You may be a winner”? That in itself is so deceptive.

Dr. BEUKEMA. Yes. Psychologically, I am a winner, I am going to keep doing this. I mean, it is stated in the present. It really seems true. It keeps me in. You might win if you do this. It just has a completely different feel to it that people respond to.

Senator COLLINS. I think you have all done an absolutely excellent job of helping us understand not only the financial consequences, the thousands of dollars that seniors are wasting, and others who are not elderly who are wasting on these sweepstakes purchases because of the deceptive nature of these mailings, but also the emotional toll that is taking place. And that is equally troubling to me. It is equally troubling to me that we are raising hopes, that we are exploiting people's dreams through these mailings. And I think that that is another harm of these highly deceptive and aggressive mailings.

Senator Levin.

Senator LEVIN. Madam Chairman, thank you, and just very briefly, I want to ask our witnesses about an argument which we are going to hear tomorrow from Reader's Digest. I am going to quote from a piece of their testimony.

What they will be telling us is that the sweepstakes offer is there only to get the consumer to open the envelope. In other words—

well, let me read what their testimony is. That is the purpose of the sweepstakes offer, and that "Once the consumer is exposed to the product offer, it is the strength of the offer, the quality of the product and the value of the product for the price which will determine whether the consumer will actually respond with a purchase." In other words, it is not the sweepstakes pitch. It is the product quality.

Would you like to comment?

Ms. GELINAS. Even if there is a quality product, someone who buys five or six of the same item is not buy quality—they're trying to better their chances of winning.

Dr. BEUKEMA. There is no quality.

Mr. HALL. Absolutely not true.

Ms. McELLIGOTT. Would you like to see an example of quality?

Senator LEVIN. Yes.

Ms. McELLIGOTT. Could someone take this to the Senators? \$20.29 for a golden horseshoe watch. I wouldn't give you a dime for it. We had probably 30 of these.

Senator COLLINS. Do you want it back? [Laughter.]

Ms. McELLIGOTT. No. I have offered to give it to everybody, and nobody will take it. But you may have it.

Dr. CARTER. I think too many of the tapes and CDs are sold at outrageous prices; \$30 usually is what it takes to purchase an item. And Reader's Digest cleverly has you into some of these travel clubs or these clubs that package things so you get two or three discs at a time. So I found on charge card statements \$60, \$90, and the quality of these items is not good. The CDs, some of them he has had me listen to. He likes classical music, and I will start listening to it, and all of a sudden it stops because there is a scratch in it or there is something in it. So it is pathetic.

Senator LEVIN. Anybody else want to comment on that argument? I saw you all kind of shake your heads with disbelief.

Dr. BEUKEMA. My mother sent me six feather dusters. They are all plastic. I am sure they have nice feathers.

Senator LEVIN. If this is all right, we will hang on to this for tomorrow. We will present this to Reader's Digest.

Ms. McELLIGOTT. You may have it.

Senator LEVIN. Thank you. I don't think this will violate—I know this won't violate our gift rules, given its value. [Laughter.]

One other thing, I want to just pick up on a thought that my colleagues have shared with each of you, and I tried earlier to express as well, and that is how grateful we are that you have come forward. It is a lot easier, in a way, to talk about the embarrassment and the humiliation and the waste of money when people come together. And an awful lot of folks out there have been taken advantage of, and the fact that you come forward and kind of band together in this effort I think will make it a lot easier for others. Thousands, hundreds of thousands, perhaps millions, who have been the object of the kind of come-ons that you have described this morning hopefully will now come forward with their families and talk about it to their children or to their brothers, sisters, and so forth, to see if we can't stop the scams here that are preying particularly, but not exclusively, on senior citizens.

If I could just say one final word to Mr. Hall as well, your daughter is now a lawyer.

Mr. HALL. Yes, she is.

Senator LEVIN. You can be very proud of that.

Mr. HALL. Very proud.

Senator LEVIN. And that you, I am sure, made a major contribution to that, even though perhaps the fact that you were scammed made it more difficult for you to do as much as you wanted to.

Mr. HALL. I was successful in getting it done.

Senator LEVIN. You were successful. I am sure she would be the first one to be aware of that, and also now to have an opportunity as a lawyer to do what our newest colleague here, Senator Edwards, did so often for his clients, which is to seek the injustice and to go after the scam artists for those who have been victimized. So you have really been a major success, as others have here, too, and I shouldn't single out one, but I think you all understand why I am doing this given the emotion that understandably was shared with us this morning.

So you are a tremendous success even though you were taken advantage of. I am sure that your daughter will remember exactly how powerful your presence is here this morning and how important your efforts were in her professional achievement. And to each of you, again, all of us are very grateful, as our Chairman said, for your being willing to come forward. Thank you.

Senator COLLINS. Thank you very much.

I want to thank you all again. You have contributed immeasurably to our understanding of this problem by your willingness to come forward. You are going to help us solve this problem, and I thank you very much for your contributions.

Senator COLLINS. I would now like to call our second and final panel of witnesses forward.

Our second panel of witnesses this morning includes the Hon. Joseph Curran, Jr., the Attorney General of the State of Maryland, and Virginia Tierney, a member of the Board of Directors of the American Association of Retired Persons. Again, I want to thank both of you for coming forward.

As I explained, we do swear in all of our witnesses, so pursuant to Rule VI, I would ask that you stand and raise your right hands?

Do you swear that the testimony you are about to give to the Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. CURRAN. I do.

Ms. TIERNEY. I do.

Senator COLLINS. Your written statements will be made part of the hearing record. In the interest of time, I am going to ask that you limit your oral presentations to no longer than 10 minutes, and we will start with you, Mr. Attorney General.

**TESTIMONY OF J. JOSEPH CURRAN, JR.,¹ ATTORNEY
GENERAL, STATE OF MARYLAND**

Mr. CURRAN. Well, thank you very much. I am pleased to be here, and I want to thank you, Senator, and Senator Levin for the bills that you have introduced.

I can tell you, as the Attorney General for Maryland—and I have been that now for the past 13 years—that indeed sweepstakes mailings are a real problem and something that we have, I believe, been aggressive in combatting in Maryland. But I applaud your efforts at the national level, and I also applaud the efforts of my colleagues in the National Association of Attorneys General who have taken this issue on as a national project.

To give you some idea of the numbers or the volume that we deal with, probably our office in the Consumer Protection Division gets in excess of 300 complaints a year by individual Marylanders. But in addition to that, as best I can determine, another 100-plus Marylanders have called the FTC. So it isn't just a few scattered complaints we are getting. It is a significant volume.

I might add also, as you have probably seen from the earlier witnesses, that a lot of folks, particularly seniors, are reluctant to call or to complain for a variety of reasons: gee, I don't want my daughter to know how foolish I have been; or, I feel so embarrassed or, quite frankly, they really are continuing to be deceived. So the fact that there are several hundred callers doesn't indicate to me that it is only those few. That is, quite frankly, I just think scratching the surface.

What I would like to say, however, to you, Senator, is that I am really troubled by the idea that mailings are coming from what I would have thought would be responsible business persons, businesses that we should look to as leaders, corporate leaders. The management of these businesses, I dare say, think of themselves as good persons within their community, probably church or synagogue members, doing good things. But yet, quite frankly, their marketeers are doing some very bad things, and we should tell them that it is affecting adversely a lot of very decent persons and they should stop it.

Now, what we did about a year ago to try to find out what was the depth of the problem, because I only had some anecdotal information based on what I have just told you, we devised a way of—I guess a reverse sting, if you will, and we did like a few other States did. We had a Maryland Senior Sting, and I wanted to find out what kind of mail were seniors getting. So we got about 500 Maryland seniors from the Washington area and the Baltimore area and the Eastern Shore area and asked them to volunteer for 1 month to save their mail, other than their legitimate mail, their bills or their children or the birthday card things, save their mail for us because we would like to sort it out and see what they are getting. And you would be amazed that we got in 1 month from these 500 seniors, volunteers, over 10,000 pieces of mail, excluding, of course, the personal mail, the bulk of which, almost 50 percent of which was the sweepstakes mail.

¹The prepared statement of Mr. Curran appears in the Appendix on page 116.

So you can see that people really are, in fact, being deluged by these mailings, and we had a chance to sort it out to see what was deceptive, what was misleading, what was illegal, and as a result of the Senior Sting, we were able to work with other States. We are undergoing now—we had seven, now we only have six multi-State investigations of major sweepstakes companies. We were able to turn over to the postal authorities a number of really outrageous pyramid schemes and chain letters which are totally illegal and unrelated to this, of course, but we did find that these were the kinds of letters and publications that Maryland seniors were receiving, and we wanted to move to do something against it, and I think the one settlement we entered into with American Family Publishers will, of course, be a step in the right direction. But it is only a step in the right direction.

But I just thought you should know that we found, when we opened these bundles and bundles of mail, that there would be some seniors who would get just a few letters, but there were, in fact, seniors who clearly in my mind must have been targeted because they were where some senior would get maybe 15 letters in a given month, some might get 40 or 60 in a given month, meaning to me—that is what I think by the reloading. They were targeted because they were those persons who had been duped once before and they were re-duped and re-duped.

I think this is a real problem. I applaud your efforts that you are doing. I think legislation, education, litigation, if need be, is the answer. But the message I would like to get to the people who are sending these things out, you really are hurting people. You might think, well, it is just—as someone said, you put “You are the winner” on there so they will open the mail, but seniors don’t do that. And when I say seniors, I am speaking I guess of my own generation. We, I think, were of a generation that believed what we saw. So if something came in the mail and said a fact, seniors are, by and large, trusting. They believe you. They are honest. They are hard-working. And if you make that approach to them, they usually—they fall for it. And I think these marketeers must know that.

We have a good law in Maryland, I am happy to say, and we, quite frankly, go after these birds. And when we do, we put them out of business. We just recently dealt with an outfit in California along with some other people. In a 2-year period, we believe this one outfit ripped off Marylanders to the tune of about \$7 million in a 2-year period.

What they would do, they would send you “Dear Mr. Curran: Congratulations, you are a winner. You are a guaranteed winner of”—and then they would list two or three prizes. “Call today” such and such a number “to find out which prize you have won.” And, in truth, they did guarantee—I think Senator Levin a few hours ago said someone was getting 50 cents for a prize. Well, they were actually mailing a check for a dollar to people who would answer the postcards. But what was happening, you would call and they would keep you on the phone, a long-distance phone, for 6 or 7 minutes, so you would have a phone bill of about \$30, and then you would find out you didn’t win the big prize but you did get a dollar.

Well, that was deceptive and clearly intended only to rake in the \$30. It had nothing to do with some real effort to improve my lifestyle.

So I just wanted you to know that from our standpoint in Maryland, although I think we have a good law, we welcome Federal law. We think that there is a role for the Federal Government. We think you can set the minimum standards. I would urge you not to have preemption because it may well be that we in Maryland want to do more, or it may well be in Florida, which is the home of millions of seniors, that the electorate there may wish to do more for their citizens, or the citizens of Maine may demand more, or Michigan may demand more.

And the idea that the marketers say, well, gee whiz, all the trouble we are going to have to go through, we are going to have to have 50 different lawyers looking at the law in 50 different States. Well, I am not impressed. I am not impressed at all. You are making a lot of money. You know full well you are deceiving people. Many times you will see promotional schemes that say, not legal in Maine. That means a lawyer has looked through it and saw that the Maine law prevented this type of thing.

They have lawyers look at these State laws. And I think the easiest way for them to not have to hire a fleet of lawyers is to just be honest, just be fair. Treat the person who gets the letter the same way you would like to be if you received it.

So I applaud what you are doing. I am glad that we have a strong law in Maryland and we continue to ferret out these guys. But we welcome your support, and I hope that your law should pass and that we can march together to see to it that seniors and non-seniors alike are protected from that type of thing.

You have seen these. I don't want to bring many, but you have seen the same thing. We have all seen the same issue. You get that in the mail, and you really do think you have won something. And I might add, a colleague of ours, Ben Cardin of Maryland, he and I had an announcement 6 or 8 months ago. And Ben told me, I really read this thing carefully. Ben is an esteemed Member of Congress, a bright guy, and he said, I really thought I was a winner. Well, of course, he wasn't a winner.

So congratulations, best wishes, you have our support, and I just urge that you don't preempt the position of Maryland.

Senator COLLINS. I want to assure you that my legislation recognizes the good works that the State Attorneys General have undertaken in this area. You have really been the leaders, and it doesn't, in any way, preempt State efforts. I agree with you totally that we need a joint effort.

Mr. CURRAN. Thank you.

Senator COLLINS. Ms. Tierney.

TESTIMONY OF VIRGINIA L. TIERNEY,¹ MEMBER, BOARD OF DIRECTORS, AMERICAN ASSOCIATION OF RETIRED PERSONS

Ms. TIERNEY. I am very pleased to be here this morning. The testimony has been very moving, and I am sure very helpful, and I

¹The prepared statement of Ms. Tierney appears in the Appendix on page 117.

have appreciated what Attorney General Curran has had to say about this too.

On behalf of AARP, I want to thank you for inviting us here to discuss the impact of deceptive mailings, which include, of course, the sweepstakes, on older Americans.

AARP is not here to condemn sweepstakes. We acknowledge that they appeal to some of our members, and they are the foundation of magazine publishers' efforts to obtain subscriptions. However, sweepstakes and other forms of deceptive mailings are a major concern to AARP because of the severe effects they have on our members who are victimized in large numbers.

AARP's involvement in this issue is not new. In the past 3 years, we have launched campaigns against charity and telemarketing fraud based on research examining older victims' behavior and perceptions, partnerships with enforcement and consumer protection agencies and warnings to consumers.

AARP's research into telemarketing fraud and charitable solicitations, which are closely tied to direct-mail fraud, has identified sweepstakes as a prime area of concern. Sweepstakes were the No. 1 form of telemarketing consumer fraud reported to the National Consumers League's National Fraud Information Center, or NFIC, in 1995, 1996, and 1997. In 1997, almost 13,000 reports of suspected telemarketing fraud were made to NFIC. Out of the close to 10,000 people who gave their age, 40 percent were over the age of 50. Based on these reports, the number one scam was sweepstakes, with magazine sales ranking No. 5.

Now, that helps to tell the story statistically, but it doesn't begin to take into account the personal anguish caused to individuals and the friends and families associated with them. That is painfully evident from the testimony of the people we heard this morning.

AARP has taken extraordinary steps to educate our members and the public at large as to how to differentiate between legitimate offers and misleading, deceptive, or fraudulent ones. Our goal is to reduce fraud and deception in telemarketing and mail solicitations. As part of this mission, AARP has worked in tandem with the Attorney General's office in my home State of Massachusetts, as we have with other State Attorneys General to gather information and warn consumers about potential fraud.

Additionally, we were active participants in something similar to what you have heard about from Attorney General Curran, and that is Operation Mailbox which was a coordinated effort undertaken with the Federal Trade Commission, or FTC, and Federal and State law enforcement agencies to identify fraudulent mail. The details of this effort are outlined in our written statement, so let me summarize by saying, based in part on AARP's contribution of over 5,000 pieces of mail, the FTC Operation Mail Box strike force announced over 150 Federal and State enforcement actions against the sponsors of these mailings in October of last year.

While Operation Mail Box was a tremendous success, we believed that more needed to be done to identify what drives people to participate in sweepstakes and to ascertain what their expectations might be. With that in mind, we embarked in research in this area. AARP contracted for the services of Dr. William Arnold, an Arizona State University professor, who may be known to some of

you because he is a recognized expert on this topic. While his research efforts on our behalf have not been completed, we would like to share some of the preliminary results with the Committee this morning.

A part of the research effort looks at the attitude of the consumers, and preliminary results in this area show that 40 percent of older Americans who receive sweepstakes solicitations respond to them. What is distressing, however, is the finding that 23 percent of those who participate in sweepstakes believe that purchasing something increases their chances of winning. Combine that figure with the 17 percent who feel that purchasing might increase their chances, and you have fully 4 out of 10 participants who do not believe the statement “no purchase necessary to win.” And you heard so much more about that in the testimony this morning.

Finally, 87 percent of those interviewed for Dr. Arnold’s study believe that the government should do something about deceptive mailings. As you can imagine, we look forward to the final results of Professor Arnold’s study and will be happy to share those findings with the Committee.

The concern over the perception that a purchase might be necessary to win is one area that can and should be addressed by the companies that do the mailings, irrespective of what Congress does. Another more serious issue that AARP believes requires congressional action, regards the messages contained in the mailing devices, and we already have heard something about this. It is the use of “you have automatically won” type of language in sweepstakes promotional materials that is at the core of the fraud and deception.

We have samples of letters from our members highlighting the ordeals they have gone through and the range of concerns that they raise. Copies of several of these letters are attached to the written statement that we submitted.¹ One woman asked that the large amount of money just awarded to her spouse who, by the way, has been dead for 6 years, be placed in his estate so that the family can enjoy it. She concludes by pleading “this kind of nonsense must be stopped.”

Two others, both homebound and coping with disabilities, simply ask, “Where is my money?” and “Please help me get it.” Remember, this is a problem that often involves other family members as well, as you heard from the participants this morning.

A daughter writes in regard to her independent 87-year-old father and raises a different set of concerns. She is uncomfortable intervening in her father’s affairs, but she does so because he recently cancelled a trip to visit his only sister stating “it conflicted with the date he was to be in New York to collect his winnings.” What is more alarming is the fact that he has taken \$13,000 out of his savings, and he spent \$11,000 between May and August on books and magazines. One member asks, “Why would the company allow someone to purchase five copies of Victor Borge Then and Now or four copies of Charlotte’s Web in a 90-day period?”

Finally, there is the story of a daughter-in-law attempting to settle the estate of her deceased father-in-law. Much as you heard

¹The letters referred to appears in the Appendix on page 120.

from one of our people testifying this morning, she is in possession of 17 boxes of sweepstakes solicitations sent to her father-in-law. She can also verify he spent over \$10,000 on magazine subscriptions. In light of what you have already heard, neither of these facts may be particularly surprising. What is astounding, however, is that the sweepstakes sponsor repeatedly renewed his subscription to *Sports Illustrated* and *Newsweek* through the Year 2086—an 87-year subscription. While the sponsor assured her that her father-in-law's account balance was zero dollars, no one offered to refund the monies already received to extend the subscription, nor had they agreed to do so upon her request. And these examples are just a few examples of the letters received by AARP.

Obviously, something needs to be done. That is why we are pleased that this Subcommittee is taking action to aid consumers. We are especially glad that Senator Collins is addressing consumer concerns with sweepstakes by introducing S. 335, the Deceptive Mail Prevention and Enforcement Act. AARP agrees with the 87 percent of respondents in Dr. Arnold's study who believe that the government needs to do something to deal with deceptive mail. We would like to acknowledge Senator Levin's introduction of S. 336 and comment briefly on some of the provisions of S. 335 and offer suggestions on other areas of concern raised by both of your bills.

One of the most attractive provisions in S. 335 is a civil penalty provision. AARP has contended that the most direct means of eliminating fraud is to take the profit out of it. The stiff penalties, capping out at \$2 million, truly would be a deterrent. We also applaud Senator Collins for proposing to provide the Postal Inspection Service with the authority to stop deceptive mail.

Finally, we support the definitions of nonmailable matter included in the bill. We believe clarifying what message may be contained in a mailing and how it may be presented is of critical importance, and we hope that the Committee will, among other things, look at provisions that would couple claims and promises with disclaimers and clearly define games of skill with their risks and rewards.

And, additionally, we urge the Congress, the Committee, to address the concerns we have raised regarding consumers oversubscribing, and the difficulty they encounter in recovering money paid for multiple-year subscriptions.

In closing, thank you again for the opportunity to provide the Subcommittee with background and recommendations on this critical issue that impacts so many Americans, particularly older Americans, so severely. AARP stands ready to work with the Chair and Members of the Subcommittee to enact legislation that will significantly curtail the fraud and deception surrounding sweepstakes mailing. And I apologize that I brought a cold from New England today and hope it has not been too hard for you to listen to me.

Senator COLLINS. Thank you very much, Ms. Tierney. I share that New England cold, so I know it is a bad one.

Ms. TIERNEY. A lot of people are doing it now.

Mr. CURRAN. I caught it in Baltimore. [Laughter.]

Senator COLLINS. Let me ask you a little more about the very interesting survey that you did. If I understand it correctly, you

found that 40 percent of those surveyed drew a connection between making a purchase and the chances of winning; is that correct?

Ms. TIERNEY. We think that is even higher because, in addition—well, yes, it is 40 percent, but we feel that it is probably even higher than that, too. Definitely, and I think it has been brought out time and again here, people know that sweepstakes exist, and they know that generally people buy something, and they enter the sweepstakes that way. And so they will continue on with this. It doesn't seem unusual to them that they buy things. And when they see that their returns, if they don't purchase something, goes to one mailbox number or address; if they do, it goes to another, and there may be a number that is higher than the number that they are going to send if they buy something, so they are sure they are going to get extra attention, that there is a better chance. They are going to be moved up to the top.

Senator COLLINS. Have you also found that the members of AARP have complained to you about the fact that it is much harder to enter the sweepstakes if you do not make a purchase? Has that issue come up?

Ms. TIERNEY. I do not know whether that has in this survey. I would suspect that it would.

Senator COLLINS. One of the findings of the Subcommittee is that that is, indeed, the case; that a lot of times, if you are not going to enter, you have to come up with a specifically sized piece of paper, for example, or you have to use your own envelope. It is just made more difficult, again, reinforcing the connection between the purchase and the chances of winning.

Ms. TIERNEY. That is very true.

Senator COLLINS. I would like to ask you about the use of trusted spokesmen in some of these sweepstakes and whether you think that plays a role in encouraging senior citizens to participate. For example, there is a sweepstakes that uses Ed McMahon and Dick Clark as its primary spokesmen. Do you think the use of well-known, trusted pitchmen influences seniors in answering these solicitations?

Ms. TIERNEY. I think there is no question about that. And then when you add to that, that along comes Super Bowl Sunday, and they see Ed McMahon on the television, and they see Dick Clark with him, and so here is a trusted person, and he has that big check, and he goes to the house with a bunch of flowers, and so they are sure that this is legitimate because he is doing this and because it becomes so public. They are used to seeing him on television giving out this prize money, and they are sure it could happen to them.

Senator COLLINS. Mr. Attorney General, that it is my understanding that the State of Maryland reached a settlement last year with American Family Publishers concerning the use of the so-called prompt pay sweepstakes. And it is my understanding that requires that an entry be accompanied by payment for an item already ordered.

Could you explain what is involved and also your action against this kind of sweepstakes.

Mr. CURRAN. Well, we were able to conclude a settlement last year with American Family Publishing. One of the aspects of our

law in Maryland is that one may not have to make a payment of anything in order to receive a prize or to be eligible to receive a prize. In this situation, if you promptly paid the subscriptions that you applied for, you would be eligible to receive a prize, and that violated Maryland law, and we were able to convince them that they would be better off keeping us out of court by settling with us, and they did. Because, see, the Maryland law says you may not offer a prize or be eligible for a prize contingent upon the payment of some monies, and that is what they did in this case.

And so, at least in Maryland, when the next mailings come in from that particular company, they will not have this particular other incentive to promptly pay your subscription. You may well choose to not pay it or you may have a legitimate reason to cancel or a legitimate reason to stop payment. So they did stop that.

I might add, on the issue of trust, Senator, again, it troubles me that there are—I mean, these marketeers, first of all, they are good, and I dare say they are paid well. But they just know how to push the right buttons. They just know how to use the right personalities who are thought to be trusted, and seniors have seen them for a long time, and they use those persons, and they use the idea that you are a guaranteed winner to their advantage.

And so, yes, I do think that it is unquestionably part of their strategy by using well-known, trusted persons to ply this what I think is just a very evil and wrong thing that they are doing. Quite frankly, I am troubled by the fact that some very big thought-to-be-legitimate businesses are doing things that are bad, and wrong and they should be stopped, and I hope we can stop them.

Senator COLLINS. Thank you both for your testimony.

Senator LEVIN.

Senator LEVIN. Have either of you either talked to these large companies that engage in this? We are going to have four of them here tomorrow. These are major companies in this country. Have either of you, the Attorneys General either in Maryland or in the United States or AARP, ever written to these companies and said, “Do you really want to engage in the kind of deceptive practices which are sucking in so many of our seniors?” Has that taken place?

Mr. CURRAN. Yes, we have talked to the lawyers who come and try to convince us not to pursue a claim against them, and they are doing their companies’ work. But have I ever been able to get to the top people?

Senator LEVIN. Yes.

Mr. CURRAN. No, sir.

Senator LEVIN. Has AARP ever written?

Ms. TIERNEY. I do not know. I can find out about that and let you know.

Senator LEVIN. Would you find out if that has been done?

Ms. TIERNEY. Yes.

Senator LEVIN. I wonder if you could put on one of the exhibits here, this is *Time* magazine.¹ It is a \$1,666,000 grand prize announcement. The big print that you read through the label when it comes in is, “We can now confirm . . .” and then that is the

¹ See Exhibit No. 10 in the Appendix on page 182.

number that the recipient has, “. . . is the winning number and DG . . .” the initials of that person “. . . wins \$1,666,000.” And then “Winning number awaited,” and then you are supposed to return the winning number.

But if you look at the real fine print right above “We can now confirm that your number is the winning number,” if you really read carefully, and it may be hard from where you are sitting, it says, “If you have and return the grand prize winning number we will announce.” That is the escape clause they use. That is the loophole that they use under existing law.

Our bills would correct that by requiring bigger print for that kind of statement which means you haven’t won a darn thing—the exact opposite of what hits the eye. Instead of confirming that you have won, the print you can’t read or don’t read says you haven’t won anything unless you have a winning number, which you may or may not have.

I am wondering, first of all, what your reaction is to that, Mr. Curran, to that practice there. Does that trouble you? That is legal under current law. Our bills would close that loophole, but does that trouble you as an Attorney General?

Mr. CURRAN. Yes, it does, sir, and I heard your earlier testimony. First of all, what hits you is the fact that you are a winner. That hits you. You are not hit by the small print because, and in many cases you can’t read the small print, and I have seen them, out of the 10,000 letters that we have received, you can see it really is hidden, the way these things are hidden, and it is almost—I defy anyone to really sift through and say, “Where is the loophole? I know there’s one here,” and then you search, and you search and you search, and you end up saying, “Well, I guess it’s legit.”

Sure, it bothers me. And, clearly, if you are going to have something that brings the attention of the senior to your letter, then there also should be something that gives a disclaimer. Because, as I said earlier, and you have heard again, and again and again, people really believe—it comes in the mail, it looks official, a postman delivered it, it’s got a seal on it, Ed McMahon’s picture is on it—hey, this must be real. Well, it is not real, and it is deceiving, and it ought to be stopped.

Senator LEVIN. We asked the Direct Marketing Association, which is the industry association to which these major sweepstakes promoters belong, whether that solicitation violates their ethical guidelines, and the answer we got back is that the Committee reviewed the submitted promotion, and by majority vote agreed that proper disclosures were prevalent and positioned properly throughout the promotion, and they closed the case.

Now, we have the Attorney General of Maryland who is telling us what I think most reasonable people would agree with which is there is no way that, to the ordinary reader, that that gives anything other than a totally false impression. And yet we have got the marketing association for the folks who engage in these practices saying that that complies with the rules of that association.

Now, what that indicates to me is we simply cannot rely on this industry to police itself, that we must act. And your testimony, both your testimonies, are going to be very helpful I think in supporting—I hope—in supporting the action for these bills.

But I think it would also be very useful, if I can look again to you, Ms. Tierney, representing AARP, if you considered directly talking to or addressing mail or a request to these companies, if you have not already done so. You may have already done so. Because some—

Ms. TIERNEY. As I said, we would be glad to get back to you.¹

Senator LEVIN. Some of these companies are really highly legitimate companies that have very positive, good names in this country. Time Inc., is a very positive name in this country, and I, for the life of me, I don't know why they want to be connected with something like this, which relies on people not seeing print. These folks rely on print. *Time* magazine believes in the printed word. That is the source of their income. That is what they are about. They put a lot of trust in the printed word, and they try, for their magazine, I am sure, they spend a lot of time to make sure *Time* magazine does not provide anyone with a false impression in the magazine. They spend a lot of time making sure their articles are as true and accurate as they possibly can be. I believe that about Time, and Newsweek and these other magazines. And yet they use this kind of a come-on, which relies on the reader missing critical information.

Ms. TIERNEY. But also, as Mr. Curran has pointed out, they are very skillful at knowing what buttons to push. Now, anyone who goes into these sweepstakes wants to win, and so, as they get more solicitations, and they say, "We can now confirm," so they read into it what they want to hear, too, and that's why I think it is important for us to look at why people enter the sweepstakes and then also look at what needs to be done to correct some of these obvious flaws.

Senator LEVIN. Let me read one other example of something which another reputable company, Reader's Digest, has used. And this was an example which came from Dr. Carter, who was with us earlier this morning.

It is a letter from the Hudson Armored Car and Courier Company, and it was included in a sweepstakes solicitation from Reader's Digest.²

"Dear Mr.," and we crossed off the name of the person. "Reader's Digest has informed me that you are among a selected group and are probably as close as ever to winning a major cash prize in the \$5,600,000 sweepstakes. That is why I have been authorized to ask you how would you take delivery of your prize money if you are a winner."

It goes on to say that "personalized prize delivery instructions are enclosed and should be returned." It says, "Reader's Digest customarily mails prize checks to major cash winners. However, they feel . . ." underlined ". . . winners might prefer to have their prize money delivered to their homes, in person, as soon as possible." And the letter concludes by saying, "At this point, it is vital that you return your prize delivery instructions to Reader's Digest as soon as possible. If you are a winner, this will enable their Prize Distribution Center to contact my company and have adequate

¹See Exhibit No. 34 in the Appendix on page 318.

²See Exhibit No. 16 in the Appendix on page 203.

time to make all necessary arrangements for delivery of your money.”

Now, I would find this laughable if it weren't so cruel. This mailing goes out probably to tens of millions of people. There's one winner, and yet Reader's Digest wants to make sure the millions of entrants identify months in advance, maybe even a year in advance, how they would want their money delivered.

And this is just simply a device, and I think it is a cruel device, and I think it is a deceptive device, and I think it is a disgraceful device, to make people think they are in some special category and that they are very likely to win something if they return the card telling Reader's Digest how to deliver the money.

And that is not a concern of Reader's Digest. They are not really concerned about whether people want their money by check or delivered by an armored vehicle. It is a trick to get people to respond. And they don't want people to respond in order to enter the sweepstakes. They want people to respond because they may purchase a product, and that is what this is all about.

Now, when we asked the Reader's Digest what the purpose of this letter was, they said it was a joint promotion. Hudson Armored Car Company was being promoted through Reader's Digest. They likened it to joint efforts of McDonald's and Disney. The problem with that is that McDonald's and Disney, in those cases, there is a real likelihood that the same customer will actually see the products of both companies and want the products of both companies. How many average Americans have a need for or will ever use an armored car company? [Laughter.]

Now, that is Reader's Digest. That is not some fly-by-night outfit that does not care about the law, that if it gets caught will pay a fine and move on to the next victim. This is a legitimate company, Reader's Digest, that uses that device, that kind of a come-on, that kind of a deceptive letter with people. And I think it is wrong, and we will tell them tomorrow I think it is wrong.

Mr. CURRAN. Senator, in our Criminal Division, we do, with regularity, deal with the con artists, and the scam arts and the fly-by-nighters, and we put them in jail and everybody applauds that.

But these aren't the con artists, or scam artists, these aren't the ones that you would think of that ought to be put in jail. But yet these guys are affecting far more people than the con artists that we are putting in jail in Maryland, and that is what is bothering because it is the people we trust. And the people we trust should do better, and they are not.

And I really do applaud what you are doing. It is educational. It is informative. Pass the legislation. Let us join with you, and maybe a decade from now it will not be necessary for the senior citizens to say do something about these deceptions that are being practiced on us because maybe if a guy wants to sell a product, he will simply say, "Dear Mr. and Mrs. Consumer: Would you like to buy X? If so, send us the money."

Senator LEVIN. And just say why it is a great product and why they would like it.

Mr. CURRAN. And that is it.

Senator LEVIN. But not with the come-on of winning millions of dollars.

Mr. CURRAN. We want Americans to be honest. We also want these people who are sending these letters to be honest. We are not asking that they do a whole lot more than tell us the truth, period.

Senator LEVIN. Thank you.

Ms. Tierney, I am done with my questions. Would you like to comment on this Hudson Armored Car and Courier Company?

Ms. TIERNEY. Other than amazement that anything like that would go out.

But I think of another thing, too. Now, a senior sitting at home and receiving this mail, and if they do go through it, it would be pretty impressive that Reader's Digest was supporting it, and I think it makes it more believable to them, the victim, but it is certainly—I agree. I cannot understand legitimate business doing this kind of thing.

But we have been involved in telemarketing fraud for a few years at AARP and, as you know, we just started this program for Medicare Fraud, Abuse and Waste, and that will be ongoing for the next year. There are these instances of fraud out there, and something has to be done to stop them, and I hope that your bills can do this.

Senator LEVIN. I want to thank you and AARP for your effort in this area and so many other areas, and the Attorneys General of the United States for their support of trying to stop the scams which victimize particularly our seniors. It will not be 10 years if we have our way. It will be this Congress, which is 1 year and 10 months.

Ms. TIERNEY. AARP intends to continue to be very active in this effort.

Senator LEVIN. Thank you. Thank you, Madam Chair.

Senator COLLINS. Thank you, Senator Levin.

I think Senator Levin has ended this hearing on a very important point, and that is it is not only the deceptive language in the mailing, it is not only the fact that respected spokesmen like Ed McMahon are used, it is the fact that these mailings are coming from reputable, legitimate companies. And when you get something from Reader's Digest or Time Inc., or Publishers Clearing House, the consumer thinks that the language must be legitimate, and it leads to further deception. So I think the prestige that those names lend to these mailings contributes to the problem.

I want to thank you both very much for your testimony and your ongoing work in this area. We look forward to continuing to work with you as we refine our legislation and enlist your help in convincing others in Congress that it is necessary to move this year.

Ms. TIERNEY. AARP would be pleased.

Mr. CURRAN. Thank you very much.

Senator COLLINS. Thank you very much.

Our hearing will now stand adjourned until 9:30 a.m. tomorrow morning, where we will hear from the major sweepstakes companies, including American Family Publishers, Publishers Clearing House, Time Inc., and Reader's Digest, who will be our witnesses tomorrow.

[Whereupon, at 12:13 p.m., the Subcommittee was adjourned to reconvene at 9:30 a.m., the next day.]

DECEPTIVE MAILINGS AND SWEEPSTAKES PROMOTIONS

TUESDAY, MARCH 9, 1999

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:35 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Subcommittee, presiding.

Present: Senators Collins, Specter, Levin, Akaka, Durbin, and Edwards

Staff Present: Timothy J. Shea, Chief Counsel and Staff Director; Mary D. Robertson, Chief Clerk; Kirk D. Walder, Investigator; Kathy Cutler, Congressional Fellow; Emmett Mattes, Detailee, U.S. Postal Inspection Service; Linda Gustitus, Minority Chief Counsel and Staff Director; Bob Roach, Counsel to the Minority; Leslie Bell, Congressional Fellow; Michael Loesch (Senator Cochran); Mark Carmel and Frank Brown (Senator Specter); Felicia Knight and Steve Abbott (Senator Collins); Dan Blair (Government Affairs/Senator Thompson); Nanci Langley (Senator Akaka); Marianne Upton (Senator Durbin); Maureen Mahon and Karen Robb (Senator Edwards); Diedre Foley and Mark Cleveland (Senator Lieberman); Patrick McGarey (Senator Akaka); and Valerie Breslin (Senator Durbin).

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. The Subcommittee will please come to order. Good morning.

Today, the Permanent Subcommittee on Investigations continues its series of hearings examining the nature and impact of promotional mailings, particularly sweepstakes, that flood the mailboxes of Americans with more than a billion pieces of mail a year.

Yesterday, the Subcommittee heard from a panel of consumers, a State Attorney General, and a representative of the AARP. All described the financial and emotional toll that deceptive mailings have exacted, particularly on vulnerable senior citizens. We heard heartbreaking stories of financial ruin, family friction and emotional turmoil.

The witnesses testified that clever sweepstakes mailings have convinced people to purchase products that they do not really need or want because they believe it will give them an advantage in winning the contest. We learned that individuals who make such purchases are targeted with repeated mailings causing many of them

to purchase still more unwanted merchandise setting up a vicious cycle.

And we saw that sweepstakes companies use aggressive, and in some cases, deceptive marketing techniques to convince consumers that they are winners or will be winners if they make a purchase.

The experiences of our witnesses are not unusual. According to the AARP, 23 percent of the senior citizens surveyed believed that making a purchase increased their chances of winning. Another 17 percent felt that purchasing something might increase their chances of winning. This means that 40 percent of the seniors surveyed by AARP's researcher believe that there is a connection between purchases and the chance of winning. These findings are similar to other polls on this issue.

The major sweepstakes companies, American Family Enterprises, Publishers Clearing House, Time Inc., and Reader's Digest, run legitimate sweepstakes. However, there is a difference between conducting a fair contest and treating consumers fairly without resorting to misleading or deceptive practices.

The central issue is whether consumers are being informed clearly that no purchase is necessary to enter the sweepstakes and that buying something does not increase their chances of winning. People should not need a law degree or a magnifying glass to read the rules or to decipher how to enter the sweepstakes without placing an order.

The testimony that the Subcommittee heard yesterday indicates that the disclaimers on sweepstakes mailings are of little value because they are too often hidden in tiny print or contradicted by the promotional copy.

I am also very concerned about the testimony that we heard concerning the treatment of consumers with respect to billing and refunds, as well as requests to be removed from mailing lists.

During the course of our investigation, the Subcommittee asked the four companies here today to provide us with samples of their major mailings and to answer questions about their practices. For the most part, they have cooperated with our investigation, and I want to acknowledge that cooperation.

Today's hearing will look at a number of these mailings, and we will examine the techniques used by the major sweepstakes companies. We will also review the methods used to solicit repeat customers and the companies' response to consumers who make excessive purchases.

Finally, we will discuss ways of improving the sweepstakes mailings, including legislation that I and other Members of the Subcommittee are advocating to crack down on deceptive mailings. Future hearings will explore the issue of sweepstakes that are outright fraudulent in contrast to the sweepstakes that we are reviewing today.

I look forward to hearing from all of our witnesses this morning. It is now my pleasure to recognize Senator Levin, the Ranking Minority Member, who has been a leader in the effort to crack down on deceptive mailings. It is my understanding that Senator Levin may have an unusual approach to an opening statement today.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you, Madam Chairman. We will have a very brief video in a moment, but first let me thank you for convening these hearings and for your leadership in trying to correct the abuses that exist in the sweepstakes mailings that fly through our mailboxes at record rates.

Yesterday, we heard from a panel of citizens whose loved ones were duped by sweepstakes promotion come-ons; people who wasted thousands of dollars and whose loved ones wasted thousands of dollars on products that they did not want in order to obtain big prizes that they thought that they had won. The big print told these people that they won something big; the little print told them, if they could read it, no, you did not.

The whole design of the sweepstakes promotions that their loved ones responded to told them that if they would buy something it would increase their chances of winning the big prize; the small print, that they were unable to read or did not read because of the design of the material, told them you do not have to buy anything. But the reality is, as the AARP survey shows, that a significant number of people believe, and it is understandable why they do when you look at the design of these materials, that buying something will help improve their chances of winning that big prize that is dangled in front of them. One of our witnesses yesterday, Ms. Beukema, put it very succinctly when she said it is shameful what passes as legitimate.

Yesterday, we saw a picture of one of the rooms in the home of one of our witnesses. This is Mrs. Carter's father's home.¹ This is just one corner of one room. That room is filled with boxes like that of stuff that he had bought, much of which has never even been opened, and the rest of the room looks just like that.

And then I would like to briefly, Madam Chairman, as you indicated, play a videotape which should take about a minute, which was prepared by the Attorney General of Michigan just a few days ago, and it was filmed in the home of a Michigan constituent, Gertrude Roosenberg, who was hooked on sweepstakes.²

These are some of the tapes, and books and other things that she bought, most of which have never been seen or opened. She wrote 400 checks in 1998, 400 checks—that is more than one a day—to various sweepstakes companies purchasing products in the hopes of winning a prize. The sum total of those checks was \$24,000, over half to one company alone.

As a result of this, her home became inundated with books, magazines, products, and tapes for which she had no use, but were acquired in the hope that that prize, which was promised to her, or she thought was promised to her by the big type and by the design of the come-on, would be forthcoming.

In some instances, this woman received more than 12 copies of the same publication, trinkets, coffee makers, jewelry on the dining room table, stacks of CDs and videotapes. And then when there was no room, and you just saw this, where there was no room in

¹ See Exhibit No. 19 in the Appendix on page 209.

² Exhibit No. 20 is retained in the files of the PSI Subcommittee.

the dining room and the bedroom, she stacked these purchases in the shower stall of her bathroom almost to the ceiling.

Finally, her daughter called the Michigan Attorney General when she found out what she had been doing with regard to sweepstakes, and the Attorney General came in and filmed this house full of purchases that were made because of the come-ons which exist in these sweepstakes offers. Two of the companies that are with us today are the companies from which most of that material was bought and, again, I emphasize this is a woman of very little means, 400 checks issued in 1 year for \$24,000.

We are going to have to correct this, either with or without the cooperation and support of the companies that are with us here today. They have come here, today, to testify, and we are glad that they did, and they have cooperated with materials, and we are glad that they did that as well. But I think we have to realize here that there are some very fundamental conflicts which exist between the perception that people have when they receive this mail and what the technical words are in that mail. We are going to try to eliminate the deception that results from that perception which people have.

A number of us have bills; I want to commend, again, our Chair for her bill, which I have cosponsored. She also has cosponsored my bill and we both have other cosponsors. We will be asking our witnesses today what their reaction is to these recommendations and, again, I appreciate your leadership, and I appreciate our witnesses coming and cooperating with us.

Senator COLLINS. Thank you very much.

Senator Akaka, we are pleased to have you here with us today.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Madam Chairman. I want to commend you for holding these hearings on deceptive and fraudulent mailings.

Any human being, of course, becomes very excited when they see sweepstakes, especially if they feel that they have a chance of winning. Apparently, some of these deceptive and fraudulent mailings have led many people to feel that they are going to win. And as the Ranking Democrat of the Subcommittee on postal services with legislative jurisdiction over this issue, I am proud to cosponsor our Chair's bill, S. 335, and S. 336 introduced by this Subcommittee's Ranking Democrat, Senator Levin.

In Hawaii, Madam Chairman, one direct-mail scam netted \$1 million by offering a gift that could only be received through calling a 900 telephone number. Each call cost \$30. Assuming a person called only once, there were nearly 35,000 people from Hawaii who spent \$30 apiece to receive a free gift valued by the State Office of Consumer Protection at \$1.

I also want to point, Madam Chairman, to a constituent from Hawaii who, believing he won an American Family Publishers sweepstakes, flew to Florida to collect his prize. In the aftermath of his 5,000-mile journey, he was interviewed extensively by Gary Betz, special counsel to the Florida Attorney General, one of the Nation's leading investigators in to deceptive sweepstakes. Florida

officials estimate that about 20 people travel to the State each year thinking they are winners.

We heard yesterday from witnesses whose personal stories detailed the financial and emotional toll of subscribing to magazines and ordering various consumer products through sweepstake offerings. Each witness had the mistaken belief that in order to win or increase the chances of winning, a purchase would help. We learned that there are equally strong feelings that a customer's purchasing history, including prior purchases, prior frequency of purchases and dollar amounts, aided winning.

The companies represented here today are the leaders in direct marketing of magazine subscriptions, and I know that, from their printed statements, that they believe they act in a responsible manner. While I do not dispute the legitimacy of their business, I am concerned that there are far too many Americans who would not agree with them.

Nearly one-third of all 156 million new magazine subscriptions sold annually in the United States are, through sweepstakes mailings, representing one-third of a \$7 billion business. In most instances, consumers feel the sweepstakes are a convenient way to subscribe to magazines, and buy consumer products and possibly win prizes.

What troubles me deeply is the assertion that a reasonable person knows that these sweepstakes promotions do not require a purchase nor do repeated purchases increase the chances of winning the grand prize.

I know from speaking with constituents that there is a strong and unwavering belief among too many Americans that a purchase is necessary to win and that multiple and/or repeated orders enhance the potential of winning. A study conducted on behalf of AARP found that 23 percent of individuals participating in sweepstakes felt that buying a solicited product would increase their chances of winning. Another 17 percent in the survey felt that a purchase might increase their chances of winning, therefore, 4 out of 10 respondents on the AARP study believed that a purchase would increase the opportunity to win.

We must note that those surveyed are senior citizens who, as the Subcommittee learned through hearings yesterday and last year, are the most vulnerable targets of deceptive or for fraudulent direct mailings. It is a population that, in many instances, is separated from families. The desire to interact with others is thrilling and the receipt of personalized sweepstakes letters are enticing, as they are meant to be.

A staff member's relative has boxes of solicitations from the companies represented here today. Although he has never entered any of the sweepstakes nor has subscribed to any magazine, he keeps the letters because they are addressed to him. Individuals who believe that their chances of winning are increased by ordering products are impressed that a company knows their names. They do not always understand how easy it is to manipulate computerized correspondence.

What is missing from these mailings are clear, easily read advisories that ordering a product does not ensure winning and that multiple and/or repeated orders do not ensure winning. For

those who do not wish to order, there are generally no easy instructions on how to enter. Every State has unique problems with deceptive mailings. Deceptive mailings take many forms, and I am pleased that Chairman Collins' bill is broadly drafted to correct many of these abuses.

As we move toward markup on this bill, I will explore with my colleagues a problem unrelated to today's hearing, but equally important and unique to Hawaii. Exotic plants, animals and insects that are illegally brought into the State many times arrive by U.S. mail. Although a Federal law prohibits such mailings, many of which are deceptively marked, the law is not working well. I intend to offer amendments relating to this problem at mark-up.

Again, I look forward to hearing from today's witnesses. What we heard yesterday proves that there are many folks who believe they have to enter these sweepstakes to win. Their stories were not isolated examples. American consumers deserve more than this, and we must be better informed when playing these games of chance.

Madam Chairman, I have a longer statement I would like to have it included in the record.

Senator COLLINS. Without objection, it will be included. Thank you, Senator.

Senator AKAKA. Thank you.

[The prepared statement of Senator Akaka follows:]

PREPARED STATEMENT OF SENATOR AKAKA

I commend Senator Collins for holding these hearings on deceptive and fraudulent mailings. As the ranking Democrat on the Subcommittee with legislative jurisdiction over postal issues, I am proud to associate myself with this Subcommittee's active investigation of sweepstakes and other promotions that have defrauded and deceived Americans out of millions of dollars every year. I am also pleased to be a cosponsor of our Chair's bill, S. 335, and S. 336, introduced by this Subcommittee's Ranking Democrat, Senator Levin.

In my own State of Hawaii, one direct mail scam netted \$1 million by offering a gift that could only be received through calling a 900-telephone number. Each call cost \$30. Assuming a person called only once, there were nearly 35,000 people from Hawaii who spent \$30 apiece to receive a "free" gift valued by the State Office of Consumer Protection at one dollar.

I also want to point to a constituent from Hawaii, who believing he won an American Family Publisher's sweepstakes, flew to Florida to collect his prize. In the aftermath of his 5,000 mile journey, he was interviewed extensively by individuals in the Florida State Attorney General's office, who were quite interested in his story. Apparently the gentleman was one of nearly two dozen people who travelled to Florida to claim their money.

We heard yesterday from a number of witnesses whose personal stories detailed the financial and emotional toll taken by dealing with one specific type of mailing: Magazine subscriptions and other consumer products. Each and every witness pointed to the mistaken belief that in order to win or increase the chances of winning a sweepstake, a purchase would help. We also learned that there are equally strong feelings that a customer's purchasing history, including prior purchases, frequency of purchases, and dollar amounts, added the chances of winning.

The companies represented here today are the leaders in direct marketing of magazine subscription services. I know from their printed statements that they believe they act in a responsible manner. While I do not dispute the legitimacy of their business, I am concerned that there are far too many Americans who would not agree with them.

Nearly one-third of all 156 million new magazine subscription sold annually in the United States are through sweepstakes mailings. This represents one-third of a \$7 billion business, which in many instances, provides a convenient means for consumers to subscribe to magazines and buy consumer products, in order to win prizes. Unfortunately, as we heard yesterday, there is a minority of subscribers who do not

understand that the mailings are merely games of chances whose underlying purpose is to sell products.

I am interested in hearing from American Family Publishers, Publishers Clearinghouse, Time Inc., and Reader's Digest about the monies awarded throughout the United States and Canada; how their solicitations are developed and how consumers are targeted; and most importantly, what steps are taken to ensure that customers know—in plain English—that no purchase is ever necessary to win.

What troubles me deeply is the assertion by these companies that a reasonable person knows that these sweepstakes promotions do not require a purchase and that repeated purchases do not increase the chances of winning the grand prize. I know from speaking with constituents that there is a strong and unwavering belief among too many Americans that a purchase is necessary to win and that multiple and or repeat orders enhance the potential of winning.

A study conducted in behalf of AARP found that 23 percent of individuals participating in sweepstakes felt that buying a solicited product would increase their chances of winning. They did not believe that they did not need to buy to win. Another 17 percent in the survey felt that a purchase might increase their chances of winning, which meant that 4 out of 10 respondents in the AARP study believed that a purchase would or could increase the opportunity to win.

It is critical to pay attention to the AARP study because the participants are senior citizens who, as the Subcommittee learned through hearings yesterday and last year, are the most vulnerable targets of deceptive or fraudulent direct mailings. It is a population, that in many instances, is separated from families. The desire to interact with others is thrilling, and the receipt of personalized sweepstakes letters are enticing, as they are meant to be.

A staff member's relative has boxes of solicitations from the companies represented here today. Although he has not entered any of the sweepstakes nor subscribed to any magazine, he keeps the letters because they are addressed to him.

Individuals who believe that their chances of winning are increased by ordering products are impressed that a company knows their names. They do not always understand how easy it is to manipulate computerized correspondence. Added to the personal nature of these mailings are the multiple inserts that include coupons for products, sheets of paper providing the chance to win more money than the "guaranteed" amount, and stickers to win cars and houses.

What is missing from these mailings are clear, easily read advisories that ordering a product does not ensure winning and that multiple and or repeated orders do not ensure winning. For those who do not wish to order, there are generally no easy instructions on how to enter.

I am proud to be a cosponsor of Senator Collins' legislation, S. 335, which creates new standards for sweepstakes and other prize promotion mailings. This legislation would prevent fraud and deception by requiring companies to be more honest when using sweepstakes and other promotional mailings. It would establish new standards for such mailings, including clear disclosures that no purchase is necessary to enter the contest, the value and odds of winning each prize, the name of the promoter of the contest, and an understandable statement of the rules.

S. 335 would also strengthen the laws against mailings that mimic government documents, thus prohibiting mailings using language or devices that give the impression that the mailing is either connected, approved, or endorsed by the Federal government. Any mailing selling a product that the government provides at no cost would have to include a disclosure that the product is available for free from the government.

An additional and important aspect of the bill would be the imposition of civil penalties that includes fines ranging from \$50,000 to \$2 million, based on the number of mailings. Moreover, the bill would give the U.S. Postal Inspection Service new tools to combat deceptive and fraudulent postal practices. Administrative subpoenas for records and documents would be available in limited cases. The bill would not preempt State or local laws protecting consumers from fraudulent or deceptive mailings.

Every State has unique problems with deceptive mailings and every Senator has his or her own story to tell about the horrors constituents have faced. Deceptive mailings take many forms, and I am pleased that Chairman Collins' bill is broadly drafted to correct many of these abuses.

As we move toward markup on this bill, I will explore with my colleagues a problem unrelated to today's hearing, but equally important and unique to Hawaii. Exotic plants, animals, and insects that are illegally brought into the State many times arrive by U.S. mail. Although Federal law prohibits such mailings, many of which are deceptively marked, the law is not working well. I intend to offer amendments relating to this problem at markup.

Again, I look forward to hearing from today's witnesses. What we heard yesterday proves that there are many folks out there who believe they have to enter a sweepstakes to win. Their stories were not isolated examples. They responded to what they believed were declarations of winning or invitations to win by companies and spokespersons they trust. American consumers deserve more than this and must be better informed when playing these games of chance.

Senator COLLINS. Senator Durbin, we are pleased you were able to brave the storms of Chicago to be with us today.

OPENING STATEMENT OF SENATOR DURBIN

Senator DURBIN. Thank you very much, Madam Chairman, and thank you for this hearing.

This Subcommittee, under Senator Collins' leadership, has developed such a positive reputation among consumers across America. We have had hearings on food safety, on issues such as telephone slamming and cramming, and I think it is appropriate today that we are considering deceptive mailings and sweepstakes promotions. I salute the Chairman, as well as Senator Levin, for their joint leadership in legislation which I am co-sponsoring to deal with this fraud on the public.

When it comes to sweepstakes, deceptive mailings come around a lot more often than the Prize Patrol, and millions of Americans are receiving these mailings each day and many vulnerable Americans are falling prey to their tactics, particularly the elderly.

When I first announced my support of the Collins-Levin bill in Illinois, I started receiving letters from across the State, and it amazed me the kinds of letters that I would receive. They were from the sons and daughters of elderly people who were absolutely despondent over trying to find a way to stop what was, in fact, a wasting of limited assets by these senior citizens.

One woman tearfully called me and said, "I have no choice but to go to court and have a conservator appointed for my mother. She just will not stop sending in this money to these sweepstakes offerings for magazines. She just does not believe it when they say you do not have to buy something to win, and so she just keeps throwing the money at them."

That is a sad situation that is repeated many times over across the State of Illinois and across the United States. We have seen so many instances here, one person having 32 subscriptions to the same magazine, some running to the year 2018. It just suggests to me that when it comes to dishonesty, and misleading mailings and deception, that the folks in this industry are giving a run for the money to those who are selling vinyl siding, home repairs and unnecessary medical devices. I think that they have to accept some responsibility here. To say that they are being honest in what they are portraying is not accurate when you listen to the people who have been deceived and have been taken advantage of under this situation.

I want to salute my colleague as well, Senator Edwards, who I believe yesterday proposed an 800 telephone number so that consumers could request that their names be removed from mailing lists. I would like to suggest perhaps a step beyond that. There are a number of advocacy organizations and governmental entities which regularly hear from and provide helpful tips to consumers about particularly mail practice. I understand there is not a single

stop central point which currently collects and maintains data about reported potential fraudulent and other questionable mailings.

I suggest, as part of this legislation, we establish a coordinated resource bank with a toll-free hotline which would be available, so that if some consumer across the United States receives what is apparently questionable in a mailing, they can call this toll-free number and ask for some identification of this group. We have seen so many of these mailings that look like official government mailings and turn out to be nothing more than an attempt to defraud innocent people of their savings. I think, if that sort of information were compiled in a toll-free hotline number, if the name of the group, for example, would be followed by information from States where attorneys general, for example, have brought actions and have discovered this misuse of product, that might be helpful to a lot of consumers.

The bottom line on this, of course, is that the people who are in the industry argue for free speech. But when it comes to commercial speech, there are limitations. Those of us, as candidates, who send out deceptive mailings are held accountable in the course of an election, if not by the press. Your industry can be held to no lesser a standard. The fact that you have become so profitable and made so much money at the expense of so many vulnerable people should give you pause at this moment.

Some have suggested a warning label on the mailings. I hope it works. We put warning labels on cigarettes for a long time, and it really has not done much, to be honest with you. But we have got to communicate to people across America that some of the things that you are suggesting in your mailing are just downright false, they are misleading, they are dishonest, and it has to come to an end.

I thank the Chairman for calling this hearing, so we can consider legislative proposals to promote more honesty by those who are sending out these mailings.

Thank you, Madam Chairman.

[The prepared statement of Senator Durbin follows:]

PREPARED STATEMENT OF SENATOR RICHARD J. DURBIN

Madam Chairman, I am pleased to join you and our distinguished colleagues at today's hearing which focuses on Deceptive Mailings and Use of Sweepstakes Promotions in the direct marketing of products.

It's rare that any American household has escaped receipt of a flurry of envelopes boldly proclaiming "You're our next million-dollar winner!" or similar claims of impending good fortune. Most of us recognize these prominent come-on phrases as the special language of direct mail sweepstakes.

While many companies have used sweepstakes responsibly, others have bilked consumers out of millions of dollars by falsely suggesting a purchase is necessary to qualify for the sweepstakes or to increase the odds of winning a prize. Some of these operators promise fame and fortune, but they deliver fraud and false promises.

Just look at what's on the cover of the envelope: "You're now in line to win \$1 million." "You're one of the finalists." They talk about the "closing weeks" of the contest, and it's a complete deception. As it stands now, the sweepstakes industry isn't winning any prizes for clarity!

Our elderly are particularly vulnerable to sweepstakes fraud. Some senior citizen sweepstakes recipients have traveled thousands of miles to claim prizes they thought they had been assured of winning. Others spend thousands of dollars on

magazines and other merchandise because they are convinced it will boost their chances of winning.

I have heard from numerous constituents about how crafty purveyors prey on the public, often persons on fixed or limited incomes, through deceptive envelopes and packaging come-on techniques. Recently, one constituent related how her elderly mother has become “hooked” on sweepstakes. She shared with me a bulky stack of envelopes, representing just a sample of the mailings.

She remarked how her mother is convinced that the company will think better of her if she orders lots of merchandise, and that buying more products will accord her special consideration and improve her chances to win a lucrative prize. She noted that some companies, by using clever typefaces, sophisticated and official-looking symbols, gimmicky labels, and personalization, lead people to believe the company is writing to them personally, and that the odds of winning are high.

Another Illinois resident was so convinced he won that he enclosed a hand-drawn map with his entry to make it easier for the prize presenters to find his rural home. Their stories are just two more examples to add to the countless ones we each have heard and those shared by yesterday’s panelists, such as one person having 32 subscriptions to the same magazine, with some running to the year 2018. How can this be happening? Their experiences—in some cases involving depleting life savings and creating rifts among loving family members—are why it is so important to ensure that strong laws are enacted to address deceptive practices.

I am pleased that the United States Postal Inspector, the National Fraud Information Center of the National Consumers League, the American Association of Retired Persons, the Better Business Bureau, the Direct Marketing Association, the Federal Trade Commission, and a special committee of the Association of State Attorneys General are each actively seeking ways to ensure that consumers are informed and protected from dishonest marketing ploys.

Madam Chairman, on that note, while there are a number of advocacy organizations and governmental entities which regularly hear from and provide helpful tips to consumers about particular mailing practices, I understand there is not a single-stop central point which currently collects and maintains data about reported potential fraudulent and other questionable mailings. I suggest that establishing such a coordinated resource bank with a toll-free hotline would be worthwhile to consider along with the other elements of our legislative reform proposals.

Without such a resource, it is difficult to determine the full scope of this problem. Lack of a single headquarters to track and refer complaints against particular operations and to coordinate dissemination of information and respond to inquiries leaves many consumers not knowing exactly where to turn.

As it is now, some call the National Fraud Information Center or a Better Business Bureau, others contact their local Postmaster or notify the Federal Trade Commission, still others write to AARP, Ann Landers, “Dear Abby”, their Attorney General’s Office, or to us, their Senators here in Washington. And sadly, as we have come to learn, some embarrassed victims of these schemes are just too afraid or ashamed to ever let anyone know that they have squandered their money and stock-piled unneeded items on the belief they’ll be the next big prize winner just as the envelope told them!

When I have discussed with fellow Illinoisans my ideas about legislation to better protect consumers by reining-in these mailing practices, I hear the Direct Marketing Association warning Congress to “tread lightly, particularly when it comes to regulating speech.” The DMA says it supports helping consumers understand the do’s and don’ts in order to participate in the sweepstakes, so perhaps they’d be willing to step up and shoulder some responsibility here for such a consumer resource center.

I look forward to hearing the perspectives of today’s witnesses—leaders in the sweepstakes industry—as we continue to examine the use of prize giveaways and other promotions to market products. I have some serious questions for them about some of the abusive and misleading marketing methods that have led to financial heartaches and emotional disappointments for some victims and their families. I welcome their responses and hope we can enlist them as allies in our efforts to curtail deceptive solicitations.

Furthermore, I hope that action will be taken soon to advance the Collins and Levin bills, both of which I am proud to cosponsor. Our legislative proposals will go a long way to promote more honesty by product marketers, clearer disclosure for consumers, tighter penalties for violators, and quicker and more effective enforcement tools for more rapid response to unscrupulous practices.

Thank you, Madam Chairman.

Senator COLLINS. Thank you for your support.

Our witnesses this morning are representatives of the major sweepstakes companies. They include Naomi Bernstein, who is the vice president of Marketing Services. She is representing American Family Enterprises; Deborah Holland, who is the senior vice president of Publishers Clearing House; Elizabeth Long, who is the executive vice president of Time Incorporated; and Peter Davenport, the senior vice president of The Reader's Digest Association. I appreciate your all being here this morning.

Pursuant to Rule 6, all witnesses who testify before the Subcommittee are required to be sworn in, so I would ask that you stand and raise your right hand.

[Witnesses sworn.]

Senator COLLINS. Your complete written testimony and other submissions that you may wish to have included in the record will be made part of the record. I would ask that you limit your oral presentation to no more than 10 minutes.

As I mentioned, your complete prepared testimony will be printed in the record in its entirety.

Ms. Bernstein, we are going to start with you. Would you please proceed.

**TESTIMONY OF NAOMI BERNSTEIN,¹ VICE PRESIDENT OF
MARKETING SERVICES, AMERICAN FAMILY ENTERPRISES**

Ms. BERNSTEIN. Thank you. Madam Chairman, I am pleased to appear before the Subcommittee today. My name is Naomi Bernstein, and as you stated, I am the vice president of Marketing Services for American Family Enterprises. Before joining AFE, I spent more than 25 years at Reader's Digest.

AFE was founded in 1977 by a group of publishers who realized they could find subscribers by offering a broad range of magazines to a mass consumer audience. For more than 20 years, AFE has provided magazine publishers with millions of new readers who are critical to the continued financial viability of the U.S. magazine industry.

Sweepstakes are commonplace throughout the business world today. Coca-Cola, McDonald's, as well as many charitable organizations and other household names, use sweepstakes to promote their products and causes. In the magazine industry, sweepstakes contests serve specifically to attract attention to mailings amidst an extremely cluttered mailbox. In order to encourage consumers to open our mail, AFE uses a sweepstakes prize as the primary focus of each of its mailings.

Since 1977, AFE has awarded more than 300,000 prizes, including \$92 million in cash and merchandise prizes. Every prize offered in our promotions is awarded.

The point of our mailings is not to convince people they have won a sweepstakes, but rather to be excited about the possibility of winning and to consider our products. The vast majority of people who receive our mailings understand them and do not believe either that they have won or they must order to win.

AFE mails hundreds of millions of individual pieces of U.S. mail each year. AFE does not target any demographic groups, nor do we

¹The prepared statement of Ms. Bernstein appears in the Appendix on page 130.

collect demographic information from our respondents. We have never sent out a mailing directed at senior citizens or any other demographic group. In fact, people of all ages and interests subscribe to AFE's magazines, including titles ranging from Sesame Street and Teen to Rolling Stone, Parenting and Fortune.

AFE's goal is to reach consumers with as wide a range of ages, income levels and interests as possible. As a result, AFE's target market is every American who reads magazines.

Our data shows more than four out of five of our mailing recipients do not respond at all.

Of those who do respond, more than half enter the sweepstakes without ordering, plainly indicating their understanding that no purchase is necessary. Of those who choose to order, most have entered an AFE sweepstakes previously without ordering; again, indicating they understand that in AFE's sweepstakes promotions, no purchase is necessary to enter or win.

Indeed, a significant majority of winners of AFE sweepstakes have submitted winning entries without placing orders. In fact, 11 of 17 grand prize winners, including the three most recent winners—Daniel Rogers of Michigan, John David Gryder of Texas and Leavitt Baker of Maine—submitted their winning entries without an order.

Our mailings are not designed to and do not induce consumers to buy an inappropriate number of magazines. In several places throughout each mailing, AFE reminds recipients that no purchase is ever necessary to win a sweepstakes prize. Instructions for entering without purchasing are clearly placed in more than one location.

Among our customers who make a purchase, the average annual amount spent on magazines is \$40. We estimate that more than 9 in 10 customers spend less than \$100 a year with AFE. Only 2 percent of those who place orders spend more than \$200 annually.

We estimate that, in 1997, fewer than 3,000 people, and, in 1998, fewer than 750 people, spent more than \$1,000 with AFE. To put these numbers in context, a household would reach the \$100 spending level simply by ordering through AFE the equivalent of an annual subscription to *People* magazine. By adding *TV Guide*, *Newsweek*, and *Sports Illustrated* to the list, the annual subscription charges through AFE would easily exceed \$200 or roughly the annual cost of a daily newspaper.

While it is clear that the vast majority of our customers understand and enjoy participating in our sweepstakes promotions, it became evident to AFE's new management team in 1998 that a very small minority of consumers may have disregarded, been mistaken or somehow been confused about our sweepstakes rules and procedures. In order to address this issue, AFE began to re-evaluate its marketing and promotional methods.

AFE listened and responded to the suggestions and concerns of consumer advocates and government officials, including Members of this Subcommittee. Based upon our re-evaluation, AFE has implemented a number of important changes to our sweepstakes promotion.

These changes include:

One, including in all mailings prominent statements that no purchase is ever required to enter, and all entries have an equal chance to win;

Two, clearly disclosing the odds of winning;

Three, directing that all sweepstakes entries be returned to the same city, reinforcing the message that all entries are, in fact, treated equally;

Four, establishing our Web site to answer frequently asked questions;

Five, avoiding the use of language referring to the recipient as a member of a small or select group, suggesting an improved chance of winning the sweepstakes prize.

AFE has also instituted a pilot program to try to identify and protect potentially vulnerable sweepstakes consumers; that is, those individuals who are purchasing an unusually large number of magazine subscriptions. While this might simply represent an appropriate choice for that person, we recognize that it may also indicate that someone incorrectly believes they must order a magazine to enter the sweepstakes. This group of frequent purchasers appears to represent less than 1/2 of 1 percent of AFE's customers.

As part of this program, AFE began sending a "no purchase necessary" reminder letter to those individuals generally stating that all entries, including those without an order, have an equal chance to win and specifically reiterating that no purchase is ever necessary to enter or win.

AFE also elected not to mail certain customers for whom the "no purchase necessary" letter may not be enough. Initially, AFE has chosen to stop sending mailings to approximately 25,000 people. AFE also blocked certain customers from making future orders, including those who have been identified to AFE as being incapable of making rational purchasing decisions.

AFE also maintains a much larger list of consumers who have asked AFE not to send them promotional mailings or who have been identified to the company by others as not interested in receiving such mail.

AFE's goal is to offer magazines and products that people want to purchase and use and to guarantee customer satisfaction. Accordingly, AFE's policy is to offer refunds on a "no questions asked" basis for all unserved magazine issues or returned merchandise. AFE is committed to excellent customer service.

Madam Chairman, could I just take an additional minute or two to express support for the legislation?

Senator COLLINS. Certainly.

Ms. BERNSTEIN. As I mentioned earlier, Madam Chairman, AFE is well aware of the strong interest that you, Senator Levin and other Senators have in this issue. We have preliminarily reviewed the legislation that you introduced earlier this year and believe that it contains provisions that would help ensure that sweepstakes promotions are used in a responsible way and by reputable companies.

Furthermore, AFE believes that your bill, as well as the legislation introduced by Senator Levin, will help weed out fraudulent operators and set higher standards for legitimate users of sweepstakes.

AFE takes very seriously the concerns that this Subcommittee has raised, and we have already adopted many provisions contained in your two bills. For example, AFE's mailings contain several reminders that no purchase is ever necessary to participate in our sweepstakes. In addition, AFE discloses the odds of winning each sweepstakes prize that it awards, as would be required by the legislation.

In these instances and many others, AFE not only supports the substance of your legislative proposals, but has already implemented many of them in connection with our promotions.

While AFE does have concerns about the specific wording of some provisions, as well as concerns about some of the procedural aspects of both bills, we would like to work with you, Senator Levin, and your staffs to see whether these concerns might be addressed as these proposals move through the legislative process.

In conclusion, I think it is clear that the vast majority of the individuals who receive our mailings understand our sweepstakes promotions. Generally, if consumers choose to order our products, they do so because they want to, not because they believe they have to in order to win our sweepstakes.

However, with respect to the very small minority of individuals who may not understand our sweepstakes promotions, we stand ready to work with the Subcommittee and other governmental and industry representatives to develop appropriate standards.

Madam Chairman, that concludes my statement.

Senator COLLINS. Thank you. I am going to have to ask you to stop there because we do have a lot of other panel members.

I am going to turn to Senator Edwards to see if he has any comments that he wants to make before we go to the next witness.

Senator EDWARDS. Thank you, Madam Chairman. No, not in addition to the opening statement I made yesterday.

Senator COLLINS. Thank you.

Ms. Holland, would you please proceed.

**TESTIMONY OF DEBORAH J. HOLLAND,¹ SENIOR VICE
PRESIDENT, PUBLISHERS CLEARING HOUSE**

Ms. HOLLAND. Thank you, Madam Chairman, Senator Levin and other Members of the Subcommittee for the opportunity to be here today.

My name is Debbie Holland, and I am senior vice president of Publishers Clearing House. I have worked for the company for 20 years. We at Publishers Clearing House are proud of our company, our sweepstakes and our many consumer education and protection programs. We believe that we have been ethical and honorable in dealing with our customers and welcome the chance to tell our story.

Publishers Clearing House has been serving American consumers and the publishing industry for nearly half a century. Today, we are a very broad-based business offering thousands of products, as well as more than 350 magazine titles that appeal to our millions of satisfied customers.

¹The prepared statement of Ms. Holland appears in the Appendix on page 133.

The famous Publishers Clearing House sweepstakes has awarded over \$135 million to nonpurchasers and purchasers alike. Each year, tens of millions of Americans enter the Publishers Clearing House sweepstakes without buying anything and 22 out of the 29 winners of \$1 million or more won with nonorder entries.

These overwhelming statistics support our belief that the vast majority of Americans fully understand that no purchase is necessary and actively avail themselves of that opportunity. Despite this fact, we recognize that there are some serious problems that must be addressed.

In light of that, we support a three-pronged solution to consist of: One, a comprehensive program of consumer education and protection involving a public-private partnership between government and industry self-regulatory organizations; two, innovative and effective outreach and protection programs for those consumers who, for whatever reason, are not able to understand promotional material, including suppression programs to get these individuals off sweepstakes mailing lists; and third, Federal legislation that would provide business with clear objective standards for sweepstakes mailings.

Publishers Clearing House is a direct marketer of magazine subscriptions and consumer products. Our business is built on service and value. We guarantee the lowest prices on new magazine subscriptions offered to the general public, and we are a valuable source of new subscriptions to the magazine publishing industry.

We also offer a wide range of consumer products: books, music and video, housewares, horticultural, collectible figurines, coins and jewelry, sports memorabilia and household cleaning products, to name a few. We carry thousands of items and many product lines, more than you would find in 40 different catalogs.

A little-known fact about Publishers Clearing House is that over 40 percent of the profits of our business go directly to the benefit of charities and charitable interests.

As a direct marketer, we offer our customers access to the kind of products they are interested in. We offer them the opportunity to inspect any product they order and return it for a full refund. We offer interest-free installment payment plans and the convenience of shopping at home any time they want without a salesman's presence or pressure.

At the same time, since we sell from a distance, we face many challenges. We do not get to see our customers face-to-face, so it is harder for us to get to know each other. We do not get the same visual cues that a local shop owner would as to the competence and financial condition of our customers, and we have to work hard to find ways to send mail only to the people who want to hear from us because it is expensive and wasteful to send it to people who are not interested in hearing our offers.

Our sweepstakes are an attention-getting device, and many Americans enjoy entering for a chance to win valuable prizes. The figures tell us, time and again, that people know that winning big is a long shot and that they never have to buy anything to enter and win. Seventy percent of the people who receive a package do not respond at all. And of those who do enter, there are always

two, three or even four times as many people who enter the sweepstakes without ordering as those who do.

Our promotional mailings are our store, and like any retail merchant, we want consumers to notice our store and come inside. We try to give them lots of reasons to come in, from the best deals on the magazines they want, to attractive merchandise offers, and a chance to win a valuable prize.

We vary our packages and offerings, much as retail merchants constantly change window displays and shelf arrangements, because consumers demand variety and want something new. We try to get to know our customers through what they tell us in their responses to our mail and engage them in a personal dialogue about the things that interest them by offering items in the same or a related area, much in the same way as a salesman in a store would greet a customer by name and suggest items he thinks the customer might be interested in. We also want our customers to know that we appreciate their business, and we hope they will shop here again.

All of our promotional mailings clearly show that they are from Publishers Clearing House, contain clear "no purchase necessary" messages, particularly on the order form, and have clear instructions on how to enter without ordering. We mail our promotions many times throughout the year to a wide variety of people across the United States. Mail volumes range from the hundreds of thousands to many millions. We do not target any particular demographic group, and our product offerings include items that appeal to all ages and all walks of life. In fact, the limited amount of available market research we have shows that about 70 percent of our customers are under the age of 65.

Even though the figures strongly demonstrate that the vast majority of our customers understand our promotions, we recognize the need for continuing consumer education that no purchase is necessary. And even more than that, we recognize that there are some individuals who are not capable of understanding the message, regardless of how much explanation or education they receive from us or anyone else, even their closest friends and loved ones.

While these individuals make up a very small fraction of a percent of our total customer population, Publishers Clearing House is very concerned about these individuals and feels an ethical responsibility to identify them and remove them from our mailing list.

Publishers Clearing House has developed a practical and effective solution that is unique in the industry. We have found a way to reach out and contact high-activity customers individually, and assess their suitability for sweepstakes promotion. We call it High Activity Identification and Suppress, and it is an important part of our Project SweepSMARTS described in the pamphlet that has been made available to the Subcommittee.

We started almost a year and a half ago, and we have already removed over 6,000 names from our active mailing lists as a result of these contacts and blocked all future orders from these people, forever. And it works. Both of the individuals brought to our attention by the Subcommittee staff, Mr. Hall and Mr. Doolittle, were identified by our program and removed from our mailing list over a year ago.

But that is not all we are doing under Project SweepSMARTS. We started sending nonpromotional letters to active customers 5 years ago reminding them that no purchase is ever necessary to enter and win in a Publishers Clearing House sweepstakes. Last year we sent out over 125,000 of these letters. We are delighted that other companies have followed our lead and have now started sending out “no purchase necessary” letters of their own.

We are ready to share the other elements of Project SweepSMARTS with you, with other marketers and our industry trade associations because we advocate an industrywide self-regulatory system that would help all of us identify and protect the vulnerable.

Publishers Clearing House is proud to be the leader of the industry, and we take our leadership role very seriously. We want to maintain public confidence in sweepstakes. We urge all interested parties, both government and private business, to join together in a public-private partnership to ensure that those who need help are protected.

At Publishers Clearing House we urge broad-based consumer education, effective outreach programs to identify customers who are not able to understand promotional materials and get them off sweepstakes mailing lists and Federal legislation with clear standards for business.

We endorse and support your goals and want to supplement the governmental efforts with private resources. We want to be part of the solution.

Thank you.

Senator COLLINS. Thank you very much.

Mr. Davenport.

TESTIMONY OF PETER DAVENPORT,¹ SENIOR VICE PRESIDENT, GLOBAL MARKETING, THE READER’S DIGEST ASSOCIATION, INCORPORATED

Mr. DAVENPORT. Good morning. My name is Peter Davenport. I am the senior vice president of Global Marketing at The Reader’s Digest Association, and I am based at our headquarters in New York.

Reader’s Digest is a leading publisher of magazines, books, music and videos. Since the magazine’s founding in 1922, our mission has been to create products that inform, inspire, enrich and entertain, initially in the United States, but now around the world. We take great pride in our products, especially in the fact that their quality is so respected.

Our flagship magazine is read by more people than any other paid circulation on the planet, over 100 million in 19 different languages. To illustrate its breadth in the U.S., it is read by more households with six-figure incomes than *Fortune*, *Business Week* and *Wall Street Journal* combined. It has more PC users than the top four best-selling PC magazines and more rock fans than *Rolling Stone*.

Yet we are not just a magazine. We create a wide variety of publishing products to offer our subscribers and customers that span an array of interest categories, including health, home improve-

¹The prepared statement of Mr. Davenport appears in the Appendix on page 144.

ment, gardening, travel, reading for pleasure, classical music and the like.

The major reason for our success over the years is that we establish a long-term, mutual, respectful relationship with our customers. Yes, our customers trust us and our products, but they do so because we seek to honor their trust in everything we do. This is the very foundation of our business, and it is the reason why Reader's Digest is, in fact, called an association.

We have used sweepstakes in the United States to help introduce people to our products for over 30 years. They are aimed at encouraging people to open our mailings in the competitive marketplace, just as a department store uses various promotions to bring people inside their doors. But at the end of the day, however, it is the appeal of our products tied into the trusted brand which determines the success of our business.

Given the breadth and the variety of our products we offer, our mailings appeal to a broad variety of audiences. The criteria to select people to receive any particular offer are driven by the specific product. The *Family Handyman* magazine has a different audience than our Leading Ladies Music CD, which has a different audience from our upcoming book on computers.

Most of our products, like the *Reader's Digest* magazine, of course, have a very wide appeal across many audiences. Sweepstakes are sent to all of our potential customers and not limited to one particular segment. Reader's Digest does not use sweepstakes to target specific consumers by age or any other demographic.

Through our testimony here today, we want to make clear our position on the appropriate use of sweepstakes. We fully recognize there are legitimate concerns about certain marketing practices that could undermine consumer confidence in them. We are pleased to join in any effort aimed at assuring that the millions of America who enjoy participating in the sweepstakes do so with confidence in the fairness and the integrity of them.

Over the years, we have adopted marketing guidelines for sweepstakes which, in fact, go well beyond those required by current regulations. I would just like to mention some.

First, Reader's Digest is clearly identified as the sender on the outside of the envelope. Sweepstakes deadlines are real and are strictly enforced. And although not required by law, all prizes are given away.

Second, we agree with Senators Collins and Levin on the importance of ensuring that consumers understand they do not need to buy a product to enter or win, nor will a purchase enhance their chances of winning. To that end, not only do our mailings state that no purchase or payment is necessary to enter, we also state that all entries have an equal chance to win. They also provide explicit instructions on how to enter without a purchase at least twice in the mailing package, and those instructions are easy to find and follow. Consumers do not navigate the package to find them.

Third, regardless of whether they are placing an order or not, customers are offered the equivalent means of entering sweepstakes. Those who respond without an order are never asked to provide their own envelope. Sweepstakes entrants are directed to

the same processing facility. To speed the processing of orders, we sometimes use different post office box numbers for ordering or nonordering envelopes, but we always strive to ensure that consumers fully understand that they have the same chance of winning whether they place an order or not.

And, finally, we want all consumers to clearly understand the exact chances of winning, so all Reader's Digest mailings state the numeric odds of winning in the sweepstakes.

We believe that the effectiveness in communicating that no purchase is necessary is reflected in our consumer responses. On average, 80 percent of Reader's Digest consumers entering our sweepstakes do so without an order. However, we share the concern that there are a small number of people who may have difficulty with certain promotion offers, including sweepstakes, and we are committed to addressing those special situations. And already we have policies and practices to ensure that our products are purchased only by those who really want them.

All of our products carry a money-back guarantee. Subscriptions can be canceled at any time with a complete refund. The purchaser of any product may return it at any time for a complete refund.

Second, we maintain our own "do not mail" list and add names from the Direct Marketing Association to it. We also honor requests from legal guardians.

Third, once a customer has purchased a product or magazine, we will not send a solicitation for that product again, except to renew the magazine subscription, of course.

Fourth, we support efforts like the recent policy of the Magazine Publishers Association aimed at detecting and preventing consumers from entering into excessively long subscription terms.

And, fifth, last year we began a practice which we plan to continue every year of sending a letter to high-activity customers reminding that no purchase is necessary to enter a Reader's Digest sweepstakes. The feedback from this effort demonstrate an overwhelming level of understanding of how Reader's Digest sweepstakes operate and, indeed, customer satisfaction with the products they had received.

Finally, we support those elements of Senator Collins' and Senator Levin's proposed legislation that provide an appropriate level of consumer protection while allowing those millions of Americans to continue to enjoy sweepstakes.

Reader's Digest is very proud of the relationship we have developed with our subscribers and customers over many years, and we are committed to building on this. We firmly believe that direct-mail sweepstakes is a legitimate and effective marketing tool if companies who use them adhere to firm ethical guidelines that promote consumer confidence in them.

And we are eager to work with other companies, trade associations, with Congress, with the Postal Inspection Service and other Federal and State regulators to achieve this goal.

Thank you.

Senator COLLINS. Thank you very much, Mr. Davenport.

Ms. Long.

**TESTIMONY ELIZABETH VALK LONG,¹ EXECUTIVE VICE
PRESIDENT, TIME INC.**

Ms. LONG. Good morning, Madam Chairman, and thank you for the opportunity to testify today. My name is Lisa Long. I have worked at Time Inc., for the last 20 years. I came through our circulation ranks before being made, in succession, publisher of *Life*, publisher of *People*, and then publisher of *Time* magazine. I am currently executive vice president of Time Inc., and I have responsibility for several corporate entities, including those directly related to the circulation and subscription sales of our magazines.

As I think you know, Time Inc., is a wholly-owned subsidiary of Time Warner. We are the largest magazine publisher in the world with 32 publications worldwide.

Madam Chairman, Time Inc., recognizes that there are problems stemming from sweepstakes, and the testimony we heard yesterday was powerful and troubling. There is obviously much to cover on this subject, so in the interest of time, I am going to limit my comments to four main topics: Why Time Inc., uses sweepstakes, why we use headline copy, the fact that we do not target the elderly, and our views on how best to address the concerns raised in these hearings, including reactions to the bills you and Senator Levin have introduced.

Let me just say a few words about our business. Most of our magazines are sold primarily through subscriptions as opposed to single copies sold at the newsstand. And the economics of the subscription business is such that we invest considerable resources up front to attract new subscribers, and the long-term relationships we develop with them are what drives circulation profitability and allows us to deliver our circulation guarantees to advertisers.

Simply put, our business relies on repeat business, and our success is based on a history of satisfied customers who, once they try our publications, appreciate their content, their quality and then renew year after year.

But our first challenge is to get people to try us, and to do that we have to break through other promotional clutter, get people's attention, involve them in our offer, motivate them to pick up the phone or drop an order in the mail. For us to do anything to undermine the trust that must exist between us and our subscribers would be self-defeating, and it would be wrong.

We promote first-time subscriptions through a variety of media, including television commercials, insert cards in the magazines and direct mail. And we use a number of marketing tools to get people to try our magazines, including premium discounts, free trial issues or a chance to enter a sweepstakes.

Sweepstakes are an effective attention grabber for many types of marketers. I like to compare them, as my colleagues seem to as well, to a sale sign in a department store that drives traffic into the store. Sweepstakes' main purpose is to get people to open the envelope and take a closer look at what we have to offer. Plenty of people have no interest in sweepstakes. Eight-two percent of the people to whom we mail these offerings do not respond. However, a lot of people enjoy them and understand them. And of the 18 per-

¹The prepared statement of Ms. Long appears in the Appendix on page 149.

cent who do respond to our sweepstakes mailings, 9 out of 10 do so only to enter the sweepstakes and do not order. In the end, only 2 percent of the people who receive our sweepstakes mailings actually purchase a subscription. And because enough of them will become satisfied, renewing customers, sweepstakes are, in fact, one of our ways to encourage people to try our magazines.

Like other legitimate sweepstakes marketers, we are very concerned about the scam artists and the fraudulent mailers who abuse this marketing tool. I can assure you that Time Inc., sweepstakes are run fairly and honestly. In each of our mailings, we list the odds of winning in the rules section. Our prizes are awarded once a year without contingencies, and our promotions repeat several times in clear, concise language that no purchase is necessary to win, something our sweepstakes players certainly understand, since nine times as many entrants make no purchase as those who do.

Now, let me move on to two specific areas that I know are of concern to this Subcommittee. The first is what is generally referred to as headline copy. This would be a statement in large type suggesting that the recipient is a winner, coupled with a qualifying statement in smaller type. In our mailings, the qualifier is always directly adjacent to the headline and explains that the recipient must have the winning number and return it in order to win.

Are we trying to deceive readers into thinking they have won the prize? No. It would serve absolutely no business purpose. Everything we know suggests that the vast majority of our mail recipients understand that these headlines are simply a way to involve them, create some excitement around our offer. And like headlines in newspapers, headline copy in sweepstakes offerings are there to get your attention and to draw you into the whole story.

However, in light of current concerns over this, we have been developing tougher standards and tightening our review process across all Time Inc., entities. The second issue is the concern that sweepstakes marketers target the elderly. Let me be absolutely clear that Time Inc., sweepstakes promotions are mailed across the board to all demographic segments of the population, with the only objective matching the interests of prospective subscribers to the content of our individual magazines.

Having said all of this, I want to acknowledge that your efforts have made us aware that there is a small percentage of people who, for one reason or another, may not understand our sweepstakes mailings.

Because Time Inc., is a decentralized organization whose magazines operate independently of one other, we have not been able to easily identify individuals who are making multiple purchases across all of our publications. Your scrutiny of the issue led us to probe our files and, thankfully, the total number of such multiple purchasers is extraordinarily small. For example, out of the 1.4 million people who subscribed to our magazines through sweepstakes in 1998, only 480 of them spent as much as \$500 with us. Nonetheless, if any of these 480 people ordered because they were confused by our offer, we take this very seriously.

We are committed to identifying those who may have placed an unusually high number of orders for the wrong reasons, commu-

nicating with them and their families and removing them from our mailing and rental lists. As a percentage, the incidence of people who make numerous purchases due to our sweepstakes offerings is tiny. As an absolute number, it is still very small. Yet even one confused customer is too many and deserves our attention.

The scope of the problem, however, demands that the solution be pinpointed rather than sweeping. As I noted, Time Inc., along with other publishers and trade associations, is exploring how to identify and communicate with these individuals who have a problem with sweepstakes.

Madam Chairman, we concur with you that there is a role for legislation as well, and we agree with much of the bill that you have proposed. S. 335 is certainly responsible and constructive, and we welcome the opportunity to discuss its finer points, as well as those contained in Senator Levin's bill, S. 336, which addresses many of the same issues.

We would also urge that whatever is implemented be consistent with the First Amendment's protection of commercial speech and distinguish between the occasional misunderstanding of sweepstakes and outright scams. Your Subcommittee is performing an important public service in helping marketers and regulators to find the scope of the situation and find ways to respond to it.

At Time Inc., we look forward to working with you and the Subcommittee to achieve a balanced, yet effective, solution to this problem. Thank you.

And, of course, I would be happy to answer your questions.

Senator COLLINS. Thank you very much, Ms. Long.

We are now going to have a 10-minute round of questions for each of the Senators, and then we'll have a 5-minute round after that.

Ms. Holland, I want to start with you because I have to tell you that I was absolutely stunned by a statement that you made in your testimony. You said, "We believe that our promotions are clear and that no reasonable person could be misled by them."

Well, Eustace Hall is a reasonable person who testified before us yesterday, and he was completely misled by your mailings. We have had hundreds of consumers from across the United States contact the Subcommittee with concerns about sweepstakes, mainly yours and the other companies who are represented here today. They are reasonable people. My constituents in Maine who have had trouble with sweepstakes are reasonable people. The attorneys generals who have sued your companies and others because of the deception are reasonable people.

I am just appalled by that statement, given the overwhelming evidence that we have of people being deceived by your mailings. It is disappointing to me because I would hope that you could acknowledge that there is a problem and that we could work together to ensure that it is corrected.

I want to show you a couple of your mailings, and let's talk about how a reasonable person would view these mailings and whether or not they are clear. I would like to have the exhibit "Open your

door to \$31 million” put up.¹ I know you have a copy of all of the exhibits that we are using.

I think that many reasonable people would be deceived by this mailing into thinking that they had, in fact, won \$31 million. It is personalized. It says, “Open your door to \$31 million.” It has a specific date. It has the name of the consumer. It has the word “winner” in it 23 times. It has qualifying words like “if” or “could” only in smaller print and only nine times. It has “We have pencilled in your name as our next winner.” It says the name of the consumer “goes on our giant check for \$31 million.”

Do you really think that no reasonable person would be deceived by this mailing into thinking that they had won \$31 million?

Ms. HOLLAND. Well, first of all, we know that our statistics are similar time and again: That 70 percent of the people or more who receive these mailings do not respond at all. Of those who do respond, we receive far many more entries without orders than with. In this particular mailing, it is very clearly written in the conditional that you *could* win or *if* you have the super prize number. For example, in the exact same size type as the rest of the text of the letter we say, “Then, if the winning super prize number comes in and it is yours, I will definitely ring ‘the person’s name’ doorbell on January 31. Do not miss out on this special opportunity to win millions.”

Senator COLLINS. Well, let me take that very part that you just read. “If the winning number is yours” is not in bold type. It is followed by indented bold type text that says, “I’ll definitely ring ‘the consumer’s name’ doorbell on January 31.” “I’ll definitely ring your doorbell on January 31.”

I realize that a careful reading of this letter does, in fact, show that it is conditional. But to say that no reasonable person could be deceived by this mailing is just not true.

Ms. HOLLAND. Well, we do know what our statistics are, and they are the same time and again. They have been for years. We also know that our mailings have been tested in the courts several times and that has been the conclusion: That no reasonable person could be misled.

Senator COLLINS. Well, in fact, you have settled lawsuits with a number of States, have you not?

Ms. HOLLAND. I believe so. I would like to point out also—

Senator COLLINS. And made restitution.

Ms. HOLLAND. That the super prize—if the winning super prize number comes in, and it is yours, is the exact same type size as the statement below it.

Senator COLLINS. The problem is the impression that this mailing gives, and there is another problem with this mailing. It says, “You see your recent order and entry has proven to us that you are indeed one of our loyal friends and a savvy sweepstakes player.”

That language implies a connection between ordering and winning; your recent order is what got you this mailing.

Ms. HOLLAND. Well, it is true that all direct-marketing companies, whether they are running a sweepstakes or not, send mailings to people who order. We want to send our mailings to people who

¹ See Exhibit No. 2 in the Appendix on page 157.

are interested in receiving them, and we do not want to send them to people who are not.

On the reverse side of the letter, we have several messages telling people that, "There are absolutely no strings attached to winning our prizes." That is in bold-face type, the same size as the rest of the text, and it is set off in its own paragraph. We also say, "Whether or not you decide to take advantage of these terrific offers, I want you to know that I deliver the prizes with no strings attached. We never ask you to pay any money to claim your prize."

Senator COLLINS. Well, let me show you another exhibit, and this one is the Eustace Hall letter from Dorothy Addeo.

You are familiar with this letter, Ms. Holland. This is a mailing that Mr. Hall brought to the attention of the Subcommittee. It is a personalized letter from the contest manager at Publishers Clearing House.¹

It says, "Dear Eustace Hall: I am in a bit of hot water and only you can get me out.

"My boss dropped into my office the other day, sat down and sighed. 'What's the story with Eustace Hall? I see that name on our Best Customer List, on our Contender's List, on our President's Club List, but I don't see it on our Winner's List. There must be something we can do to change that. It's not right when someone as nice as Eustace Hall doesn't win.'

"Then he sighed again, looked at me and left, and I sat there wondering what to do. I had my mission, Eustace Hall, to make you a winner and soon."

Now, how many people received this mailing that made Mr. Hall feel so special, feel like he was singled out for special treatment by your company?

Ms. HOLLAND. This mailing was sent to millions of people. This is a personalized mailing, it's direct mail. The whole reason for this letter is to simply announce that there is another contest opportunity coming up and that the recipient should watch his mail box for it.

Senator COLLINS. Mr. Hall told our investigators that he believed that this exact conversation took place; that, in fact, Dorothy Addeo's boss did drop into the office and say these words. Did this conversation actually take place with regard to Mr. Hall?

Ms. HOLLAND. This conversation and this situation is a dramatization of actual conversations that did take place when we were planning this very special new contest opportunity. The announcement in this letter is that we have a new contest in which everybody who enters will be guaranteed to win a prize. All they have to do is enter.

Now, again, as I mentioned earlier, this is simply an advance notice telling people to watch for the upcoming mailing. You can't enter from this. You can't even order.

Senator COLLINS. But, in fact, the conversation did not take place, and this letter is deceptive. This was sent to 9 million people, was it not—personalized letters

Ms. HOLLAND. Yes.

¹ See Exhibit No. 1 in the Appendix on page 155.

Senator COLLINS. Were there 9 million conversations between your contest manager and her boss?

Ms. HOLLAND. Of course not. This is advertising. This was a dramatization of situations and conversations that happened in the company. It is sort of like “ring around the collar.”

Senator COLLINS. But do you not see why this would be deceptive to a reasonable person like Mr. Hall? Do you not see why it made him think that he was special?

Ms. HOLLAND. We do not think that this is deceiving. We thought it's perfectly fine. I did want to note for the record, though, that the company has stopped mailing this letter over a year and a half ago because, even though we did think it was fine and not confusing, we wanted to be responsive to input that we got.

Senator COLLINS. Thank you.

Ms. Bernstein, you have testified that the instructions for entering without making a purchase are clearly placed in your mailings. I want to take a look at the instructions on how you could enter the American Family Publishers sweepstakes without ordering, and it is my understanding that you have been given a copy of this.¹

Ms. BERNSTEIN. Yes, I have.

Senator COLLINS. It is in small print, so I am going to have to hold it quite a ways out from me to read it.

“If not ordering, affix bar code label to Box 1 of instruction form after confirming that the bar code label finder code matches the finder code in Box 2 of the form. Do not affix any order stamps and sign as indicated in Box 6. Place instruction form in your own envelope and enclose a 3 by 5 card with the following handwritten in block letters: ‘American Family Publishers Sweepstakes. No order enclosed.’

“Affix 7-day response requirement stamp and the enclosed nonorder entry bureau address label or address to American Family Publishers . . .” it gives the address “. . . to the front of your envelope and mail within 7 business days.”

So, if you are going to enter your sweepstakes without placing an order, you have to supply your own envelope, you have to have a special sized paper, you have to have a 3 by 5 card, you have to hand write on it, it has to be in block letters.

Why do you make it so much more difficult for individuals who are not ordering to enter your sweepstakes?

Ms. BERNSTEIN. Senator, AFE is in the business of selling magazines. We use sweepstakes and contests so that our customers—to elicit our orders. Clearly, we do not believe that there is anything confusing in this offer. What we are saying, our stats indicate that more than four out of five totally ignore our mailing. The people who reply, Senator, more than half of them reply saying no without entering an order.

Senator COLLINS. But don't all of these additional requirements reinforce the misperception that your chances of winning are improved by making a purchase? If it is easy to enter your sweepstakes if you make a purchase, but it is difficult to do so if you

¹ See Exhibit No. 6 in the Appendix on page 172.

don't make a purchase, what message does that send the consumer?

Ms. BERNSTEIN. All of our packages have the AFP promise, which clearly say all entries are treated equally. The vast majority of people who receive our mailings, Senator, understand them.

Senator COLLINS. My time has expired. This is something I want to pursue on the next round.

Senator Levin.

Senator LEVIN. Thank you, Madam Chairman. And I want to put the Eustace Hall letter back on.¹

You indicated to our Chairman that there were not 9 million conversations of this kind, although there were 9 million letters that were sent out to individuals representing that a conversation quoted in that letter took place.

My direct question to you is, when you wrote Eustace Hall saying, "My boss dropped into my office the other day, sat down and sighed," and then, "What's the story with Eustace Hall? I see that name on our Best Customer List, on our Contender's List, on our President's Club Member List, but I don't see it on our Winner's List. There must be something we can do to change that. It's not right when someone as nice as Eustace Hall doesn't win."

Did that particular conversation take place?

Ms. HOLLAND. Senator, we did have many conversations—

Senator LEVIN. No. Did that quoted conversation take place?

Ms. HOLLAND. As I stated earlier, those exact words are a dramatization of conversations that did take place. Consumers understand dramatizations.

Senator LEVIN. Now let's get to my question. Did that quoted conversation take place? Yes or no?

Ms. HOLLAND. No, it did not. It's a dramatization.

Senator LEVIN. But you told this gentleman that it did. Is that true, that you told him that quoted conversation took place? You lied to a customer.

Ms. HOLLAND. When you are making a dramatization, you do have the people in the situation speak, and when you write that, it has quotation marks around it.

We did want to find a way to let customers and other people who enter have a chance to win, for everybody to have a chance to win, and that is why we started this contest.

Senator LEVIN. Right. Now let me get back to my question. That conversation, you acknowledge, did not take place. Therefore, you told a customer that a specific conversation regarding him occurred which did not occur. You testified a moment ago that, in your judgment, that that letter is perfectly fine. That letter is perfectly a lie. It is perfectly false. It is perfectly misleading. It is purposely deceptive.

Now, there is no other way that, sitting here, you could describe a quoted conversation saying that a particular conversation involving a particular customer took place, which you now acknowledge did not take place, without saying you stated something to a customer about him. You didn't say, "We had a discussion about how

¹ See Exhibit No. 1 in the Appendix on page 155.

to attract 9 million people into a thing, and you are one of the 9 million.”

You said, “We had a conversation about you, Eustace Hall,” and it seems to me that is the description of deception and falsity. That is the perfect example. You can’t get a much clearer example than when you say, “We spoke about you,” and, in fact, you did not speak about him.

Now, I’m glad you ended that letter, but I must tell you I am deeply distressed when you can come here and say that that letter is perfectly fine, when that letter incorporates a perfect deception and a perfect lie. And the fact that something was going to follow rather than something being in this letter does not make it any less of a deception or less of a lie.

Now, I want to go back to Mrs. Roosenberg, whose videotape we saw earlier today of every room in her house being stuffed with stuff that she didn’t need;¹ \$12,000 worth of products from Reader’s Digest.

Mr. Davenport, I will be asking you now about this particular thing. This is the 400 items I believe that she bought. This is part of the 400 items that she bought in 1 year. These are the ones that she bought from Reader’s Digest. It is about \$12,000.²

She then gets a letter from Reader’s Digest with a certificate in it received from your vice president for Marketing, Brian Kennedy.³ Oddly enough, by the way, that letter is dated March 11, 1999. I’m not sure why it has that date, but here is what it says on it:

“Good news. You’ve been selected to receive one of our highest honors, The Reader’s Digest Recognition Award. It’s your obvious love of Reader’s Digest and sweepstakes that made you an ideal candidate. In fact, it was your recent subscription request that finalized our decision. The Reader’s Digest Recognition Award is simply our way of saying thank you for your loyalty.

“The Certificate of Recognition above is a symbol of that appreciation and very much more. Within its borders is a free gift.” I’m not sure what that free gift is, but maybe we can find out if we read this.

But here comes the part which I find so incredible. This is somebody who has spent \$12,000 in a year on Reader’s Digest products. You are giving her the highest, or one of your highest honors, the Reader’s Digest Recognition Award, which is a piece of paper. And then you go on to tell her that, in addition to that piece of paper, you are going to find a way, it says here on that piece of paper, “to guarantee her a chance to win \$500,000.”

Why do you do that? I mean, why do you send to someone who is a \$12,000 customer of yours a piece of paper which pretends to tell her that she is receiving one of Reader’s Digests highest honors when the point of that letter is to try to suck her into doing something more and to issuing her, God knows what, her 51st check for the year? Why do you do that?

¹Exhibit No. 20 is retained in the files of the PSI Subcommittee.

²See Exhibit No. 17.a. in the Appendix on page 205.

³See Exhibit No. 14 in the Appendix on page 200.

Mr. DAVENPORT. Can I, first of all, answer the distressing and obviously very worrying situation? But when this came to our notice last Friday—

This came to our notice, in fact, it didn't come directly, it came to us from a member of the press. As is our policy in such situations, we immediately sent a letter off to the family saying how distressed we are.¹ There is no way you can justify this sort of level of expense and what you have shown here. As soon as we know of these occasions and they occur, we immediately take action, and we have offered, obviously, to take all of the products back, and refund and all of the rest of it. There is no way I can sit here and justify that.

The mailing piece I am not familiar with. It was not one of the ones that I was asked to look at, so I am not aware of the details of it. However, I can guarantee you that it was not directed at her because of the \$12,000—whatever the amount of money it is, when we come to see, it was, by what you read in the copy, and I would have to come back to you, that it is probably as a reaction to probably taking out either a new—or renewing a subscription.

The piece here is, of course, just one of a total package, Senator, and I think we just have to look at the whole one. I think it is fairly clear what the offer and what the gift is, as we go further down. But there is no way that I can sit here and justify a mailing into this particular situation. All I can do is tell you that whenever we come across it we do our utmost to remove it, to address the situation.

We have a particular marker, in fact, we changed to something new 10 years ago so we can recognize in our file what we call guardian requests. So, in fact, if someone does ring, whatever reason, and says we have reason to suspect that you are sending mail or products to a relative or somebody whom we have some responsibility for, we can not only just not mail to that person, but we can also ensure that that person never gets any product even if they send them back in, and that is all I can say.

I can give you a measured reply to this particular—

Senator LEVIN. This is Exhibit 14 in your book, by the way.²

Mr. DAVENPORT. I appreciate that. I am just—

Senator LEVIN. I want to just read the bottom two paragraphs, too.

“The Reader's Digest Recognition Award also entitles you to a free gift. Attached to the above certificate is a Reader's Digest Recognition decorative nameplate. Simply peel the nameplate off the certificate, place it on one of your favorite possessions and write your name on the line provided.”

That is one of the highest awards at Reader's Digest. [Laughter.]

You know, you have a good name, and it amazes me that a company with a good name would engage in that kind of a shoddy practice. I must tell you I look at this, and I visit with the people who have been taken in by this, and I do not know why companies who have good names and good reputations would lower themselves by sending out that kind of a come-on.

¹ See Exhibit No. 23.e. in the Appendix on page 233.

² See Exhibit No. 14 in the Appendix on page 200.

My time is up, and I want to come back to that issue because I think, in a way, the haunting issue here is that we have companies in front of us who have worked hard, in many instances, to build up names and reputations. In the case of *Time* magazine, people, including me, read *Time* magazine and believe, we actually believe much of what we read, not all, but much of what we read, as much in *Time* as in any other magazine.

And yet—I am going to get to *Time* later on—we find the come-ons trying to get people to believe that they have won something. And the printed word should mean so much to you folks, and it is so sloppily used in order to get people to subscribe to a magazine, and I think it tarnishes a good name.

I want to come back to you—my time is over—because it is not fair for me just to say that without giving you an opportunity—and I will in my next round.

Thank you.

Senator COLLINS. Thank you. We are recognizing people in the order that they appeared today. So, Senator Durbin, I believe you are next.

Senator DURBIN. Thank you very much.

First, let me say a word in defense of the people who are at the witness table, and this may come as a surprise. But we live in a Nation and in a society where government condones lotteries which prey on poor and elderly people. We live in a society where government condones and licenses gaming and casinos, where we know that the poor and the elderly show up and spend a lot of money that they should not spend, and I cannot make any excuse for either of those.

The fact is we are not investigating those two forms of gambling. We are investigating sweepstakes today. And the people who are before us have to be held accountable, as all of us in government have to be held accountable for our policies.

I would like to address several specifics. First, let me tell you that one of my constituents, who heard of my interest in this subject—I mentioned her earlier—from Rockford, Illinois, wrote about her 88-year-old mother who lives in Brevard, North Carolina, in a retirement community.

My friends, this represents what she collected from her 88-year-old mother in just a few months. This is 1 day. September 28 was a big day. Some of these are related to magazines, some are not. She is on the Reader's Digest list and many others.

Let me tell you the problems this woman has in protecting her mother. "Senator," she says, "it's nearly impossible to figure out how to get your name off the list. The address to which one sends the money entry is frequently not the address of the company itself." So I don't think many of you are making it easy for people who are trying to protect the elderly and vulnerable by giving them a clear address to mail to to remove their names.

Second, she objects to the suggestion that people are somehow moving up the list, they are preferred customers. Let me just ask, in general, is that a fact; when they say you are moving up, now there are only two people left in this drawing? Ms. Bernstein, is that true, that they are down to two people; one is going to win

\$11 million, one isn't, and the person who received the mailing may be the one to win?

Ms. BERNSTEIN. Senator Durbin, I am sorry. I am not sure I understand what—

Senator DURBIN. All right. I get a letter in the mail that says you are down to two people who can win \$11 million. Is that true, if that sort of representation has been made?

Ms. BERNSTEIN. I can only speak for AFE, and I know we do not make any kind of statement that would suggest finalists are down to the final drawing.

Senator DURBIN. So statements, for example, let me just get in your particular—and this is American Family Publishers, and here we are, let's look at Exhibit No. 7,¹ and look what it says in the front here. "Down to a two-person race for \$11 million." Was it down to a two-person race at that point, the person who received the mailing and one other person? Is that true?

Ms. BERNSTEIN. Senator, this is clearly stating that two people are racing with one number, with a winning number, and whoever returns that winning number wins it. And it says, "If you have the winning number, please be advised."

Senator DURBIN. So it is down to two people and one is going to win \$11 million.

Ms. BERNSTEIN. "If you have the winning number, please be advised."

Senator DURBIN. What does that mean?

Ms. BERNSTEIN. If you have the winning number, the winning number is drawn—

Senator DURBIN. Gee, limited education. Let me try to stick with you for a second here. [Laughter.]

Are we really down to two people, and the one person who received the letter is one of the two people who might win \$11 million, just as it says there? I mean, I think a normal person reading that, isn't that the conclusion most people would come to? Is it true?

Ms. BERNSTEIN. Senator, we had no information that suggested that there was anything confusing about this, if that is what you are saying.

Senator DURBIN. "You and one other person in Georgia were issued the winning number. It is down to two people for \$11 million. Whoever returns it first wins it all." Boy, that is pretty clear to me.

Ms. BERNSTEIN. Senator, our response in this mailing was no different from any others—

Senator DURBIN. I'll bet it wasn't.

Ms. BERNSTEIN. We did hear complaints and concerns, and we chose not to mail this particular package again. But the "If you have the winning number" is very clearly stated here.

Senator DURBIN. Well, I can see you are not going to answer my question. But I think the average person will understand, in receiving this, that this is a lie. You are misleading people. It is deceptive. Perhaps people are too naive to believe that they might win

¹ See Exhibit No. 7 in the Appendix on page 178.

\$11 million, but it has happened, and they end up buying magazines that they do not need as a result of it.

Let me just also reiterate, I won't go through it again, what Senator Collins has said about what you require people to do to get off the list or to participate in the sweepstakes without ordering, this lady writes to me and says, "Senior citizens can't write well enough to fill out the required plain card or whatever form is required." And she said, "My mother's bad handwriting results in endless name variations, which has led to multiple mailings." So I don't think you are making it easy to protect the vulnerable, though most of you have testified you would.

Let me also talk a moment about Publishers Clearing House, and Mr. and Mrs. Rohrer of Canton, Illinois, who sent me this nice letter, handwritten letter. Their story is so sad. Let me read from a *Chicago Tribune* article of February 22, 1999.¹

"After 20 years of faithfully entering mail-in sweepstakes, Henry Rohrer was sure his diligence finally would be rewarded. Last September, the 74-year-old retired miner said he received a phone call from a Publishers Clearing House employee saying he was 'definitely a cash winner.' A month later, the company notified him of his \$5 million prize, including an affidavit which needed to be signed to claim his windfall. He mailed that back along with a \$38 check for a ceramic angel, one of the many products offered in the sweepstakes mailing.

"The company spokesman said it was not necessary to purchase anything to win, Rohrer related, but that it would be 'nice if we could say you like our products when the Prize Patrol comes to your door.'

"With the paperwork, Mr. Rohrer also sent in a hand-drawn map so they could find his home in rural Canton, Illinois."

Mr. Rohrer sent along these mailings, and he calls us on a regular basis to talk about this.

It is hard to believe some of the representations that have been made about "no purchase necessary" and protecting the elderly and the vulnerable when you hear this sort of situation. And these phone-call follow-ups, how frequently is that done, Ms. Holland?

Ms. HOLLAND. I am not familiar with that phone-call follow-up. It doesn't sound like Publishers Clearing House. Sometimes there are fraudulent operators that call up and misrepresent themselves as Publishers Clearing House, and we have been very active in trying to collect information about that when we hear about it from our customers. We formed an anti-scam database, and we cooperate with the authorities to stamp out these types of promotions.

Senator DURBIN. He was on your prize patrol. It says, "We're on our way to Canton, Illinois, here."

Ms. HOLLAND. I'm sorry. But does that refer to a phone call? Because I am not familiar with the phone call, and I am pretty familiar with our promotions.

Senator DURBIN. That is his memory of it, and he has represented that to us in writing, to the press and otherwise.

Ms. HOLLAND. Yes.

¹ See Exhibit No. 21 in the Appendix on page 210.

Senator DURBIN. I am not going to suggest that he may not have made a mistake, but it doesn't come as a surprise, as you follow some of the tactics here, that those sorts of things might be done.

Mr. Davenport, if I might ask you a question. You made a point in your testimony of saying that *Reader's Digest* enjoys a very good reputation across America, and that is certainly true. I can recall *Reader's Digest* in my home as a little boy, and it was certainly I think one of the few magazines that our family subscribed to.

Your CEO is Mr. Ryder; is that his name, now?

Mr. DAVENPORT. That is correct.

Senator DURBIN. He said something recently in an interview in a Chicago newspaper, which I would like to put into the record here.¹ This was on January 3, 1999, in the Sunday edition. He was being interviewed by Tim Jones of the *Chicago Tribune* in Chautauqua, New York. He said the ways he would change the Reader's Digest Company and his approach: "Perhaps the biggest move will be the Digest plan to reduce its reliance on sweepstakes mailings which historically have been used to generate circulation with the lure of winning big money." Mr. Ryder said, "I don't think we'll ever be out of the sweepstakes business, but I want some other strategic levers because I know that sweepstakes skew older, poorer and more rural, and that takes the magazine to a place I do not want it to be exclusively."

All of you have made a point of saying you do not target the elderly, but Mr. Ryder concedes the fact that a sweepstakes does, in fact, attract the elderly. So how do you reconcile those two statements?

Mr. DAVENPORT. Disagreeing with my Chairman doesn't exactly enhance my career prospects— [Laughter.]

And I am aware of that statement, and he confirms that he made it.

Reader's Digest, as the people on the panel here said, we do not skew, we do not target any particular group, certainly not to the elderly. We have gone back over time. We have no data or information that would indicate that that is true.

Senator DURBIN. Let me ask you the specific question. What percentage of the people responding to these sweepstakes mailings are elderly? I want to ask it of each of you, and it will be the last question I ask. What percentage of those whom you solicit for magazine subscriptions are elderly who reply affirmatively and buy the subscriptions through these sweepstakes mailings? I will go right across the panel.

Mr. Davenport.

Mr. DAVENPORT. I may have it in my—if I don't, I will certainly give it to you—but, as we say, we have a wide spectrum of subscribers and readers, and I gave you an indication in my opening statement.

Let me see exactly—I don't know what you mean by elderly. I am coming up at 60, do I qualify as elderly?

Senator DURBIN. I started getting the AARP mailings at age 50.

Mr. DAVENPORT. Me, too.

¹ See Exhibit No. 22 in the Appendix on page 213.

Senator DURBIN. I returned them to the postmaster as pornographic material. [Laughter.]

Mr. DAVENPORT. I think what we can do though is give you a breakdown of our subscription circulation by age. We can give it to you in detail. If I don't have it here, you will have it.¹

Senator DURBIN. Can anyone else on the panel answer that question; what percentage of your mailing sweepstakes mailings are responded to affirmatively with magazine subscriptions by those over the age of 55? Let's try that.

Ms. LONG. I am sure I can get you that number. I do not have it right in front of me.

Senator DURBIN. Ms. Holland, do you have that number?

Ms. HOLLAND. We were asked that question as part of our cooperation with the Subcommittee, and we do not keep statistics on individual customers for commercial purposes, but we do have some limited market research information available, and that information suggests that 70 percent of our customers are under the age of 65.

Senator DURBIN. So 30 percent of those who responded, your customers, are over the age of 65?

Ms. HOLLAND. Yes.

Senator DURBIN. Ms. Bernstein.

Ms. BERNSTEIN. Senator, we do not keep demographic information on file.

Senator DURBIN. Thank you, Madam Chairman.

Senator COLLINS. Thank you very much.

Senator Edwards.

Senator EDWARDS. Thank you, Madam Chairman.

Good morning.

It is very important to me to understand the mind set that you all come to this situation with in order to determine what level of regulation we need to protect people in this country and for my purposes particularly in North Carolina.

Ms. Holland, I want to start with you, if I can, and I hate to go back to the letter to Mr. Hall, but I do need to ask you a couple of questions about it.²

You said there were about 9 million of these letters that went out; is that right?

Ms. HOLLAND. Yes.

Senator EDWARDS. Without going through the 5 minutes you spent with Senator Levin on this subject, you do acknowledge that the conversation that is described in that letter about Eustace Hall did not take place. You do acknowledge that.

Ms. HOLLAND. Yes. That is the nature of a dramatization, that it is——

Senator EDWARDS. Yes, ma'am. Did it take place or not?

Ms. HOLLAND. Of course not.

Senator EDWARDS. So that letter describes a conversation that did not take place. That letter contains a statement that is not true. That letter went out to 9 million people.

¹ See Exhibit No. 23.a. in the Appendix on page 217.

² See Exhibit No. 1 in the Appendix on page 155.

And did I understand you to say that—I want to make sure I got your quote right. Senator Levin, you help me with this—you described this letter as, from your perspective, perfectly fine, and I believe you are quoted in today’s newspaper as saying that you believe your company has acted ethically and honorably.

So, from your perspective, sending out a letter that contains a statement, a conversation, that is absolutely not true to 9 million Americans is perfectly fine, ethical and honorable. Do you stand by that testimony?

Ms. HOLLAND. Yes. The truth is it is representative of actual conversations and meetings that did happen at the company, and what we wanted to do was provide a way, figure out a way, by challenging the Contest Department—Dorothy Addeo is the manager of the Contest Department; she is a real person—challenging them to figure out a way that we could enable customers and frequent participants to have the thrill of winning, even if it is a small prize.

Senator EDWARDS. And you think it is all right to lie to 9 million people in order to create that challenge? Is that OK? From your perspective, is that all right?

Ms. HOLLAND. We do not believe that it is a lie to represent—
Senator EDWARDS. Is it true?

Ms. HOLLAND [continuing]. Actual conversations—

Senator EDWARDS. Yes, ma’am. Is it true?

Ms. HOLLAND. It is true that we had a number of conversations and meetings that touched on this subject.

Senator EDWARDS. Was there a conversation about Eustace Hall?

Ms. HOLLAND. There was a conversation about all of our customers and entrants, and when you put each person’s name, added up, it is the customer file.

Senator EDWARDS. This letter that you have written, that you have described as ethical, honorable, perfectly fine, from your perspective, do you understand why an elderly gentlemen like Eustace Hall, who received this letter, that talks about him personally, that describes a personal conversation that went on within Publishers Clearing House about him, do you understand—if you can step away for just a minute from being a corporate representative and just think about this from a human perspective—do you see why someone like that would feel special when they received a letter like that? Does that make sense to you?

Ms. HOLLAND. Well, we are very concerned about Mr. Hall.

Senator EDWARDS. I am asking you, does that make sense to you? Do you understand why someone like Mr. Hall or other elderly people like him would feel special when they received a letter from an organization like Publishers Clearing House saying that folks in your office were sitting around actually talking about him, and showing concern about him and wanting him to be a winner? Do you understand why Mr. Hall and other elderly people who got a letter like that in the mail that it would make them feel good? Do you understand that?

Ms. HOLLAND. Well, I think that most businesses would want their customers to feel good and feel like the businesses appreciate them.

Senator EDWARDS. Do you want to take advantage of that?

Ms. HOLLAND. No, sir, and that's why we have our Outreach Program which identified Mr. Hall over a year before we ever heard about him from the Subcommittee. We determined when we contacted him that he did not understand that no purchase was necessary, and even his own daughter, his loved one who told him no purchase was necessary, he did not believe. Somebody like that, we believe should not be receiving these mailings.

Senator EDWARDS. Besides these 9 million letters that you sent to people that contained statements that weren't true, do you know how many other letters, how many millions of letters Publishers Clearing House has sent to other customers around this country that contained statements like this that are not true? Do you have any idea?

Ms. HOLLAND. We send out tens of millions of mailings every year. We believe that our mailings are truthful and not misleading, and we believe—

Senator EDWARDS. Including this one. You believe this one is truthful and not misleading; is that correct?

Ms. HOLLAND. I did explain why, and that is because it is a dramatization.

Senator EDWARDS. Does it say it is a dramatization?

Ms. HOLLAND. It is like "ring around the collar." Did some housewife somewhere say, "Oh, my husband has ring around his collar. I better get a better laundry detergent." It is advertising. Consumers understand advertising. They understand situations and dramatizations, and that is all that this is intended to be.

Senator EDWARDS. So you think consumers—

Ms. HOLLAND. That was our point of view.

Senator EDWARDS. I am sorry. I didn't mean to interrupt you. I apologize.

Ms. HOLLAND. I am sorry.

Senator EDWARDS. So you believe consumers understand that you are going to tell them things in these letters that aren't true, that you are going to lie to them? Do you think consumers understand that?

Ms. HOLLAND. We know that the results to any of these mailings are consistent over the years, whether it has a dramatization or not, that, by and large, 70 percent or more of the people don't even respond, and of those who do, we always receive far more nonorder entries than orders.

Senator EDWARDS. And the fact that they don't respond makes it OK to say whatever you need to in these letters?

Ms. HOLLAND. The fact that they don't respond makes us understand that they know it is a sweepstakes, that they know it is a long shot, that they know they can choose whether to open it or not, whether to respond or not.

Senator EDWARDS. Ms. Holland, you have also testified under oath in your testimony that there is clear "no purchase necessary" language in all of the entry order forms that are contained in the mailings that you send. Do you remember giving that testimony?

Ms. HOLLAND. Yes.

Senator EDWARDS. Could we put up the chart, please.

This is one of your order forms, is it not? Do you see Publishers Clearing House at the top?¹

Ms. HOLLAND. Yes.

Senator EDWARDS. In fairness to you, this is only the front of it, not the back of it, right?

Ms. HOLLAND. Yes.

Senator EDWARDS. Can you show us on this, what we are looking at right now, where this “no purchase necessary” occurs.

Ms. HOLLAND. Yes. Right below the stamp boxes it very clearly says, “If not ordering, place the no stamp from the sheet of stamps over the first two order boxes.” In addition—

Senator EDWARDS. Let’s stop right there. So when you have testified under oath before this Committee that clear “no purchase necessary” language appears on your order forms, you would say that this language that you have just read, “If not ordering, place no stamp from the sheet of stamps over the first two order boxes,” that that makes it clear to people that no purchase is necessary?

Ms. HOLLAND. Yes, because why else would we instruct them how to enter without ordering?

Senator EDWARDS. I see. And—

Ms. HOLLAND. I would like to point out, also, please—

Senator EDWARDS. Yes, ma’am. Let’s look at the back. I have the back.

Ms. HOLLAND [continuing]. That on the back of this is the official rules.

Senator EDWARDS. And where on the back does it say that no purchase is necessary? That language never says no purchase is necessary, does it?

Ms. HOLLAND. Right here.

Senator EDWARDS. What we just looked at, those words do not appear on that page, do they?

Ms. HOLLAND. Those exact words do not appear on the face, but I still would—

Senator EDWARDS. Are they on the back?

Ms. HOLLAND [continuing]. Ask why would we give instructions on how to enter without ordering if you couldn’t do so?

Senator EDWARDS. Do the words “no purchase necessary” appear on the back?

Ms. HOLLAND. Yes, they do, sir.

Senator EDWARDS. Can you show me where those are, please.

Ms. HOLLAND. Yes.

Ms. HOLLAND. Yes. They are in bold-face type, all capitals, set off in their own paragraph right here.

If you would like, I can submit this for the record.

Senator EDWARDS. Actually, I have a copy, and we will submit both the front and the back for the record.

Ms. HOLLAND. In addition—

Senator EDWARDS. Now let me show—excuse me. I am sorry. I didn’t mean to interrupt you.

Ms. HOLLAND. I am sorry. Did you want to hear the other “no purchase necessary” message in the rules?

Senator EDWARDS. If it appears somewhere else, yes, ma’am.

¹ See Exhibit No. 24 in the Appendix on page 235.

Ms. HOLLAND. Right here, this top paragraph very clearly describes, "If you are not ordering this time, paste your nonorder entry stamp over the order boxes," and it goes on to describe it. Anybody who could read a newspaper could read and understand this.

Senator EDWARDS. "If you are not ordering this time," you believe that indicates, to a normal person, that no purchase is necessary in order to enter the sweepstakes; is that correct?

Ms. HOLLAND. Yes.

Senator EDWARDS. Let me just show you an example—if you would put that on, Maureen, please—can you see what she is holding up in front of your chart?

Ms. HOLLAND. Yes.

Senator EDWARDS. Do you see the language that says, "Your odds of winning \$3.5 million are approximately 1 in 85 million"? Do you see that?

Ms. HOLLAND. Yes.

Senator EDWARDS. "Odds may vary based on the total number of entries received." Do you see that?

You want people to know, don't you, Ms. Holland, what their chances are of winning in your sweepstakes, right?

Ms. HOLLAND. We believe that people have a very good idea that a sweepstakes is a long shot to win a big prize.

Senator EDWARDS. Yes, ma'am. You want people to know what their odds are of winning. Can you please, if you can, answer that yes or no.

Ms. HOLLAND. [No response.]

Senator EDWARDS. Do you want them to know that or not?

Ms. HOLLAND. Yes.

Senator EDWARDS. And you want them to know that purchases do not increase their chances of winning. That is something that you believe consumers, in fairness, ought to know, right?

Ms. HOLLAND. Yes, and we believe that they do because many people enter without ordering time and again.

Senator EDWARDS. You want them to know that information, correct?

Ms. HOLLAND. Yes, and we believe that they do.

Senator EDWARDS. And you want them to know the letters they are receiving are, in fact, computer generated and are not special personal letters that they are receiving from your company. You wouldn't have any objections to them knowing that, would you?

Ms. HOLLAND. I think that they already do.

Senator EDWARDS. Well, you wouldn't have any objection to them knowing that, would you?

Ms. HOLLAND. No, because I think that they already do know that.

Senator EDWARDS. All right. Well, let me ask you a simple question. This insert that appears here, since you don't have any objection to them having all three pieces of that information, you wouldn't have any objection to a law that requires those three things to appear in that size on any order form that your company sends out. You wouldn't have any objection to that, would you?

Ms. HOLLAND. [No response.]

Senator EDWARDS. Just in that form, the way we have it up there.

Ms. HOLLAND. Senator, there are many different types of order forms and entry forms.

Senator EDWARDS. Do you object to this or not?

Ms. HOLLAND. We would not object to clear disclosure of all that information and clear standards for business to follow.

Senator EDWARDS. So you have no objection to this information appearing on your order form in exactly the way we have just shown it to you; is that correct?

Ms. HOLLAND. I do not know if I could agree with that as you asked it.

Senator EDWARDS. Thank you, ma'am. I see my time is up.

Thank you, Senator.

Senator COLLINS. Thank you, Senator. Senator Specter, thanks for joining us.

Senator SPECTER. Thank you, Madam Chairman. I was just waiting for Senator Edwards to ask the Court to direct the witness to answer the question. [Laughter.]

Senator EDWARDS. Do you have the power to do that, Senator Specter? [Laughter.]

Senator SPECTER. I have the power to ask the presiding officer to direct the witness.

Senator LEVIN. You are not harkening back to this impeachment court, are you? [Laughter.]

You wouldn't do that to us.

OPENING STATEMENT OF SENATOR SPECTER

Senator SPECTER. It may surprise you to know, Senator Levin, that there are other courts besides the impeachment court. I am on record as not thinking very much of the impeachment court for a number of reasons, which I will not go into.

I commend our distinguished Chairwoman for convening these hearings, and they are really very, very startling. And it would be my hope that publications of the standing of Time Inc., Reader's Digest, Publishers Clearing House, and American Family Enterprises would act on their own, your own, to inform your readers as to what is going on. Because we have practices which are conclusively deceptive on their face, beyond any question, beyond any question. And I have only participated in a part of the hearings, but I have had staff watch them.

But, Ms. Holland, I would ask you to review Senator Edwards' questions and your own responses and to see if your firm wouldn't be doing something to clear up the record without waiting for legislation. It is going to be a fair amount of time between this moment and the time the Congress acts if, in fact, the Congress does act.

What I would ask each of you, and the others who are a party to these kinds of practices, is to take back to your board of directors and to tell them the reaction, at least, of the Senators who were watching. C-SPAN reaches a limited number of people. The number who are going to see that brilliant cross-examination by Senator Edwards at substantially lower than his customary hourly rate will be seeing it at 3 a.m. and really won't see very much of it. So I would urge that all of you go back to your companies and

ask them to re-examine what they are doing and tell them the real disdain, and objection, and horror that these practices are viewed by.

Ms. Holland, I know you are trying to defend your company here, but your answers are really very, very defensive and don't really ring accurately, at least in my judgment. But you have an obligation to set forth the facts without waiting for congressional action.

Mr. Davenport, you responded to Senator Levin by saying that whenever we come across some undesirable practice or something to the effect that you take action to correct it. Is that really so? How do you do it, and how do you account for the kinds of questioning which Senator Levin raised which, on their face, showed a very palpable disregard for the rights of the people who are receiving the information?

Mr. DAVENPORT. Senator, we adjust constantly. And I can answer, very specifically answer, but it is a constant—if wherever any practice—

Senator SPECTER. When you adjust, do you wait for someone to come to you with a complaint?

Mr. DAVENPORT. I think, as a result of these hearings, not just today or yesterday, but I think it started last August and some of the other hearings have been done with the States Attorneys General.

Senator SPECTER. Well, did you wait for those hearings before you started to adjust?

Mr. DAVENPORT. We have recognized that a number of practices, for not only that justice should be done, but justice should be seen to be done, that we need to address. As a result, for instance, on the high-activity customers, including those that might be at some risk, if I can put it that way, it came as a surprise to us. I think it was first seriously raised at the hearing—

Senator SPECTER. Mr. Davenport, we do not have a great deal of time with the 10 minutes, but would you do this: Would you respond to the Subcommittee in writing as to what you have done on the specific cases by way of responding?¹

Mr. DAVENPORT. I will do more than that, Senator. I will tell you what we have done, I will tell you what we propose to do effective immediately, which is more than we have done because quite clearly the safety net which we thought we had strengthened isn't going to be enough.

Senator SPECTER. Let me ask the other three witnesses to do the same, if there have been responses from your companies, those described by Mr. Davenport, what you have done.²

I know that in your prepared testimony, Ms. Valk Long, that you say that "our sweepstakes are run fairly and honestly, and they are administered by an independent judging organization." Could you amplify what that independent judging organization does?

Ms. LONG. Actually, I am probably not the best person to explain that, but it is a company that administers sweepstakes prizes. It is purely a back-office, back-end sort of function.

¹ See Exhibit No. 23.b. in the Appendix on page 219.

² See Exhibits No. 25 and 26 in the Appendix on pages 237 and 243.

Senator SPECTER. Would you put up Exhibit No. 8.¹ I believe this one has not been the subject of inquiry, and I am advised that this is a Time publication. As you note on the top, in heavy black letters, second line, "Urgent Notice For . . ." and the name of the man is redacted. "You are declared one of our latest sweepstakes winners and you are about to be paid \$833,000-plus in cash," and in small print at the top it appears "If you have and return the grand prize winning numbers in time, we will issue this," and then it has the urgent notice.

And then after the heavy black print with the suggestion that the recipient is about to get \$800,000-plus appears the language, "And if you return the winning entry, the status of recent cash prize winners and sweepstakes presented would then read as follows:"

You say in your prepared statement that our sweepstakes are run fairly and honestly. Is that an illustration of a fair and honest sweepstakes?

Ms. LONG. What is at issue here is our headline copy which we did address directly. Every time we have a headline suggesting that the recipient is a winner, we have a disclaimer or qualifying statement directly adjacent to that headline.

Senator SPECTER. And what is the disclaimer statement?

Ms. LONG. "If you have and return the grand prize winning number in time, we will issue this: Urgent"——

Senator SPECTER. That print is a small fraction of the other print. Do you think that that is an adequate disclaimer, Ms. Valk Long?

Ms. LONG. Well, we actually—it is the size print of a standard letter or a newspaper. Obviously, the headline is to get attention. It is to get you to read on.

And the point that I need to make is I am not sure what business purpose it would serve if somebody actually thought they had won the prize. What we are trying to do is to get them to read on and, as they read on, consider our offer.

Senator SPECTER. Well, going back to my question, do you think it is an adequate disclaimer?

Ms. LONG. Yes.

Senator SPECTER. Well, how can you say that when the urgent notice that you were declared one of our latest sweepstakes winners is in heavy black, and about five-eighths, three-quarters of an inch high, and the disclaimer which you refer to is in light print, about a sixteenth of an inch high of something that I had to read four times and then get assistance from staff, which is not unusual, to figure out.

Do you want to rethink and reanswer the question as to whether that disclaimer is adequate?

Ms. LONG. I need to let you know that my answer is informed by results. Of the people who do respond to our packages, 9 out of 10 enter the sweepstakes and do not order. They would not be ordering if they thought they had already won.

Senator SPECTER. I believe there are a lot of reasons why the responses may be one way or another.

¹ See Exhibit No. 8 in the Appendix on page 179.

Ms. Bernstein do you think that that is an adequate disclaimer. You are closer to it, so you might be able to read the disclaimer.

Ms. BERNSTEIN. I think it is perfectly clear.

Senator SPECTER. My question was not whether it is perfectly clear. My question was do you think it is an adequate disclaimer.

Ms. BERNSTEIN. I really can't comment about this piece. I know we do not heavily use—

Senator SPECTER. Why can't you comment about this piece?

Ms. BERNSTEIN. Well, I can clearly see. I see the excitement that it is intended to elicit, and I see the statement.

Senator SPECTER. I won't press the question because the yellow light is on, but I think on its face it is conclusively not an adequate disclaimer. It would be pretty hard to lose that case to any jury in America, unless Senator Edwards was defending the publication. [Laughter.]

These issues are really of utmost importance. Just yesterday, the Pennsylvania State Senate turned down gambling in Pennsylvania, and the States do pretty much what they would like, subject to using the mails where there is Federal jurisdiction. And the Judiciary Committee is taking up, again, the Internet issue. But people do lose a lot of their money that they ought to be devoting for family purposes and necessities of life, and I would hope that you folks would go back to your companies and take action to correct it.

The kind of an attitude that I see here this morning, very candidly, suggests that there ought to be some very, very punitive sanctions involved in violations. If you think, Ms. Valk Long, that it is adequate, and if you think, Ms. Bernstein, that you wouldn't comment about it, then there has to be some very, very tough action taken by Congress to stop it.

Thank you, Madam Chairman.

Senator COLLINS. Thank you very much, Senator.

We are now going to do 5-minute rounds of questions.

Ms. Bernstein, I want to go back to one of the mailings that is from your company, American Family Publishers. It is the, "It's down to a two-person race" mailing.

Senator Durbin questioned you about this and whether or not it really was down to two people, and you said that you felt that this mailing was clear. Isn't this the mailing that caused some of the recipients to actually fly to Florida because they were trying to be the first one to claim that prize?

Ms. BERNSTEIN. Senator, first, let me say that the number of people who flew to Tampa has been greatly exaggerated. And, in fact—

Senator COLLINS. Well, why don't you tell us how many did.

Ms. BERNSTEIN. Well, we know that in 1998 we have been given to understand about 25 people came to Tampa. But that being said, one person mistakenly travelling to Tampa is one too many, and we certainly recognize that we are not in the business of having people come to Tampa, and we also know that our professional customer service contractors in Tampa deal compassionately and sensitively with any visitor who comes to Tampa.

Senator COLLINS. But if it caused people to actually fly to Florida—there was one of Senator Akaka's constituents who flew from

Hawaii to Florida to get there first, doesn't that tell you that this was misleading?

Ms. BERNSTEIN. Absolutely not, Senator. This does not say this is misleading. It tells us it has urgency, it is exciting. That is what it—and we heard the concerns, and we did stop mailing this.

Senator COLLINS. If you didn't think it was misleading, why did you stop mailing it?

Ms. BERNSTEIN. We heard the concerns, and we stopped mailing it.

Senator COLLINS. Wasn't there legal action taken by the Attorney General in the State of New York based on this mailing against your company?

Ms. BERNSTEIN. Senator, I am not a lawyer, and I cannot—

Senator COLLINS. Well, neither am I, but let me help you on that. It is my understanding that you did, in fact, enter into a consent decree with the New York Attorney General, under which American Family Publishers provided \$60 refunds to more than 12,000 individuals for magazines that they purchased in response to this and similar mailings.¹ Is that at odds with your understanding?

Ms. BERNSTEIN. Senator, as I stated, I am not a lawyer, but your staff certainly requested information about the New York settlement prior to this hearing, and I had our attorney prepare a document which I think was forwarded to you.

Senator COLLINS. So you are not contesting that, in fact, this mailing prompted legal action against your company.

Ms. BERNSTEIN. Senator, as I said, I am not a lawyer—

Senator COLLINS. I don't think you have to be a lawyer to answer that question.

Ms. BERNSTEIN. I certainly understand that our company has admitted to no wrongdoing and has voluntarily entered into any settlements.

Senator COLLINS. But paid \$60, approximately, to more than 12,600 consumers.

Ms. BERNSTEIN. If that is the terms of the agreement.

Senator COLLINS. Ms. Long, what is *Time's* policy for dealing with relatives of elderly parents who call *Time* and try to get restitution or refunds on subscriptions and also ask to have their names deleted from mailing lists because they are making excessive purchases?

Ms. LONG. When we get such a call, we automatically refund any unserved issues. And if it is brought to our attention that the parent ordered for the wrong reasons to begin with, we refund the entire amount paid.

Senator COLLINS. I am going to invite your attention to the testimony that we heard from one of our witnesses yesterday. She testified that she had difficulty in getting refunds when she discovered that her father had spent over \$50,000 in response to various sweepstakes solicitations on products that he did not need. *Time* was one of the companies. I believe, it was under the Guaranteed and Bonded Division of Time Inc.

¹ Exhibit No. 36 is retained in the files of the PSI Subcommittee.

The result of her inquiries to your company was that her father's estate—he died, in the meantime—started receiving mailings from Time Inc., to his estate.

Ms. LONG. I heard that testimony yesterday, and don't understand it. I have no explanation for you, and I will get you one.

Senator COLLINS. I would be interested in that because here the daughter was trying to get refunds, and what instead she gets are more mailings. So this would be at odds with your company's policy?

Ms. LONG. Absolutely.

Senator COLLINS. Does it suggest certain weaknesses in your company's approach?

Ms. LONG. If that, in fact, happened, yes.

Senator COLLINS. Well, she has the actual envelope from Time Inc. which says, "To the estate of Joseph McElligott."¹

Ms. LONG. There is obviously something that fell through the cracks there.

Senator COLLINS. Senator Levin.

Senator LEVIN. Thank you, Madam Chairman.

First, a Reader's Digest issue. One of the mailings of Reader's Digest included a letter from an armored car and courier service. This is Exhibit 16. It is in your book. If we could put that up.²

The person gets the letter from Reader's Digest with the big instructions for prize delivery, a whole page of instructions for how to deliver the prize, and then they get included in that letter a letter from an armored car company that says, "Reader's Digest has informed me you are among a select group and are probably as close as ever to winning a major cash prize in the \$5 million sweepstakes. That is why I have been authorized to ask you how would you take delivery of your prize money if you are a winner.

"Enclosed with this letter are personalized prize delivery instructions prepared by the Reader's Digest Prize Distribution Center for final stage entrant," and then with the name of the person that this letter was sent to.

"These prize delivery instructions are your guaranteed entry into the final stage of the sweepstakes. Because you may be as close to winning as ever before, return them immediately to Reader's Digest after indicating whether you would want prize money delivered to your home in cash or cashier's check.

"Reader's Digest customarily mails prize checks to major cash winners. However . . ." and this is now underlined ". . . they feel winners might prefer to have their prize money delivered to their homes in person as soon as possible. Therefore, Hudson Armored Car and Courier Service of Westchester has been retained to deliver cash or a cashier's check directly to the major cash winner's home."

And then you have this long page of instructions that goes into detail—they are supposed to be put into one or two envelopes; one that says yes and one that says no.

Mr. DAVENPORT. Right, Senator.

¹ See Exhibit No. 18 in the Appendix on page 208.

² See Exhibit No. 16 in the Appendix on page 203.

Senator LEVIN. By the way, the two envelopes go to different post office box numbers. The one envelope that says, yes, of course, has big print on the front: "Valid for Reserved Benefits." The other one says: "Not Valid for Reserved Benefits" on the envelope.

I am just wondering how many people were told that they should instruct you as to whether this huge prize should be delivered, if they win it, in an armored truck? How many folks got that letter, millions?

Mr. DAVENPORT. It is certainly thousands, hundred thousands, but we can give you the exact figure, and, in fact, we may well have submitted it because I think it may have been a question asked by the staffers.¹

But you ask a number of questions.

Senator LEVIN. I haven't asked a question yet. The letter says from Hudson that Hudson needs to know how the consumer wants their sweepstakes winnings delivered to them, and they need to know that right away—right away they have got to know this—before the actual sweepstakes drawing. Is that true?

Mr. DAVENPORT. It is what we requested of them to do. That is quite correct.

Senator LEVIN. Is it important—

Mr. DAVENPORT. It is also true that we would, even with their instructions, if it was sent, we would then go back to them and confirm if that is what they would like to happen.

Senator LEVIN. Is it important to you to know how millions of people who are not going to win want their sweepstakes winnings delivered?

Mr. DAVENPORT. Clearly not.

Senator LEVIN. What is important to you is that people put that instruction in the yes envelope, is it not?

Mr. DAVENPORT. It is part of an overall promotion, a sweepstakes promotion. In that particular instance, the ratio of no's to yes's were above average.

Senator LEVIN. But is it not, my question, important to you? What your goal is, is to have as many people as possible put these long instructions about how they want millions of dollars delivered in the yes envelope. That is what your goal is; is that not correct?

Mr. DAVENPORT. The goal of running sweepstakes is indeed to sell products and to make orders, yes, sir.

Senator LEVIN. And so what your hope is with this is that they put this in the yes envelope.

Mr. DAVENPORT. But it is not in our long-term interests that people order anything they don't want to, and all of the customers we mail it to is part of an ongoing communication with them. So whatever happens on this particular occasion, we are going to make quite sure that they—we realize we are going to be going back to them again, so it is absolutely imperative that we—is it on?

Senator LEVIN. The Attorney General of Maryland, yesterday, I think spoke for many of us on this Subcommittee when he said it was a shame that a reputable company like Reader's Digest would stoop to a tactic like this, telling millions of people that they should say whether they want this prize delivered in an armored car,

¹ See Exhibit No. 23.c. in the Appendix on page 231.

when 99.9 percent of those people could not expect to receive a prize in an armored car.

And that is what is so deceptive and so misleading about this kind of a practice, and I would hope that Reader's Digest will reconsider its use of this kind of a tactic because it is just clearly misleading. You are just not doing what you say you want to do.

I want to give *Time* magazine a chance to respond to Exhibit 10.¹

First of all, is it Ms. Long or Ms. Valk Long?

Ms. LONG. It is Ms. Long.

Senator LEVIN. You said before that people would not be entering if they thought they already won.

Ms. LONG. Right.

Senator LEVIN. I don't understand how you could say that. The only way they can collect their prize or to be eligible to claim a prize is if they do respond; is that not correct?

Ms. LONG. Actually, if they are the only winner, there is no point in responding. Their number has already been selected.

Senator LEVIN. But you say that people wouldn't be entering if they thought they had already won. Is it not true that people would be entering because they think it is necessary to claim a prize that they must return something?

Ms. LONG. I see your point. OK.

Senator LEVIN. This is Exhibit No. 10. There are a lot of intriguing things about this, but one is that this seems to be the same sweepstakes with two different numbers on it. This seems to be guaranteed and bonded sweepstakes No. III, if you look at both of these. Yet one of them says that the person receiving this is—you can't read the fine print above it—if you have the grand prize winning numbers. That is the little qualifier that nobody reads or very few people can read. But the big, bold headline is that that person is officially declared an \$833,000 winner in the exhibit on the right.

And it looks like it is the same sweepstakes as the one on the left, which it says in bold print, "We can now confirm that 'such and such' a number is the winning number and that that number," with the name next to it, "wins \$1,666,000."

My question is why would you send out for the same sweepstakes two mailings to the same person, different envelopes, different colors, different claim numbers? I think I know the answer to this, but I would like to hear what *Time* says about why you would do that.

Ms. LONG. Unfortunately, I am not sure how these particular packages are being used. If they are renewal packages—

Senator LEVIN. No, this is the same sweepstakes.

Ms. LONG. Yes, but if the same subscriber is under renewal, and if a sweepstakes offer is being used to encourage that renewal, then that same subscriber might get several notices to renew.

Senator LEVIN. My time is up. Why would it be a different amount in the same sweepstakes?

Ms. LONG. I believe that the difference is in whether it is a lump-sum payment or a payment—you are shaking your head—you may know more about this than I do.

Senator LEVIN. I hope so. I don't think that is the explanation.

¹ See Exhibit No. 10 in the Appendix on page 182.

Is it not possible that you want this person to believe that it is a different sweepstakes and that even if they entered the first time with one color envelope with a totally different number that this is a different sweepstakes and that they could enter into a second sweepstakes which is different?

Ms. LONG. I was correct. According to the people who know a little bit more about this than I do, it is just a different expression of how the prize money would be paid out.

Senator LEVIN. But it is the same sweepstakes?

Ms. LONG. Yes, it is.

Senator LEVIN. Thank you. My time is up.

Senator COLLINS. Senator Edwards.

Senator EDWARDS. Thank you, Madam Chairman.

Mr. Davenport, I have three areas I want to ask you about, and I will try to do it quickly.

We have heard from Ms. Holland, on behalf Publishers Clearing House, that she believes it is OK to send out 9 million letters to people containing personalized stories that are not true, and she says it is perfectly fine, ethical and honest.

On behalf of Reader's Digest, do you agree with that?

Mr. DAVENPORT. I am not—

Senator EDWARDS. If you can tell me as quickly as you can whether you agree with that or not.

Mr. DAVENPORT. I was distracted. I am sorry.

Senator EDWARDS. That is OK.

Mr. DAVENPORT. The way that that is described is not the way we do it at Reader's Digest.

Senator EDWARDS. And you would not agree that that is a perfectly fine way to do things.

Mr. DAVENPORT. It is not the way, nor would we do it at Reader's Digest, no.

Senator EDWARDS. The second thing I want to ask you about, and I have asked someone to hand you an exhibit, is one of your letters.¹ It is a letter addressed to Mr. Bagwell, who is a constituent of mine in North Carolina. Do you have that with the Reader's Digest heading at the top?

Mr. DAVENPORT. I do.

Senator EDWARDS. I am reading from the first sentence. This is a letter, dated February 1998, where it says, "Attached you will find three letters of recommendation that . . ." and this is underlined and in bold ". . . virtually guarantee your chance to win our customer appreciation prize."

What do the words "virtually guarantee" mean to you?

Mr. DAVENPORT. Senator, I am not sure.

Senator EDWARDS. You are not sure what they mean?

Mr. DAVENPORT. Well, I understand what "virtually guarantees" means. I think this is clearly saying that it ensures that they will be given a chance, that they will be getting an advance letter. I am getting this out of context, so I am trying to—I think this is a separate letter from the main mailing piece, and this is—

Senator EDWARDS. Is this one of your company's mailings?

¹ See Exhibit No. 27 in the Appendix on page 250.

Mr. DAVENPORT. Yes. I am not personally familiar with it because I have looked at the pieces that we were told to look at beforehand. I don't know this piece. I have never seen it.

Senator EDWARDS. Well, in fairness to you—

Mr. DAVENPORT. But I will give you a measured response, obviously, to it.

Senator EDWARDS. And I appreciate that.

Mr. DAVENPORT. Having looked at it a bit further, I am sure what it is saying is there is another mailing on the way to them, but I will have to make sure that that is true because I do not know it.

Senator EDWARDS. Do you believe that regular folks who would get this in the mail would read "Virtually guaranteeing your chance to win," that some people would see that as an indication that they have a very high likelihood of winning? Do you think some—

Mr. DAVENPORT. I think I would have to see—I understand your point.

Senator EDWARDS. And you would concede that some regular people would respond that way.

Mr. DAVENPORT. I would need to see the whole package. On its own, I would agree with the point that you are making.

Senator EDWARDS. Do you know who Mr. Bobby Bagwell is, the man who received this letter?

Mr. DAVENPORT. Do I know him? No, of course, not, Senator.

Senator EDWARDS. Were you here yesterday when I talked about Mr. Bagwell being a constituent of mine who was—

Mr. DAVENPORT. I was not here, no.

Senator EDWARDS. Well, he is an elderly gentleman who lives in North Carolina who has Alzheimer's disease and apparently has purchased about \$20,000 worth of goods through your company. We are talking here today about legislation to protect consumers from some of the abuses that we believe are present; some of which, I believe, in fairness to you, you have recognized.

What would you intend to do about people like Mr. Bobby Bagwell who have suffered as a result of what has occurred in the past as opposed to—

Mr. DAVENPORT. If this came to our attention now, we would immediately get hold of him or anybody close to him and ascertain whether he had purchased or was continuing to receive mail from Reader's Digest. If he said that he had, or if it was there, that we had it, we could have checks or whatever you want, that there were goods that he didn't want, we would take them back and give a refund check, regardless of how far back.

Senator EDWARDS. Would you do that for all of the customers who have similar problems?

Mr. DAVENPORT. Yes, even if it is one.

Senator EDWARDS. And we have that commitment from you today.

Mr. DAVENPORT. It has been our commitment for 50 years.

Senator EDWARDS. Thank you, sir. Is that a commitment you have made people aware of?

Mr. DAVENPORT. Yes. We guarantee you may return a product at any time and get a refund, yes.

Senator EDWARDS. Well, I hope folks hear that.

Are you aware that Mr. Bagwell's daughter-in-law contacted your company on a number of occasions and told you that he was elderly, that he had Alzheimer's disease, please stop sending him these mailings, and to this day, he still receives sweepstakes mailings from your company?

Mr. DAVENPORT. I heard it because I heard it as a result of yesterday's hearing, and we will look up and, clearly, there has been a slip-up at handling this particular account. I can tell you our practices.

Senator EDWARDS. You are going to do something about it now that we have brought it up in a congressional hearing.

Mr. DAVENPORT. If it hasn't already been dealt with. I hope that something's happened.

Senator EDWARDS. You have not been able to determine that you have done anything about it in the past, though, have you, Mr. Davenport?

Mr. DAVENPORT. On this case?

Senator EDWARDS. Yes, sir.

Mr. DAVENPORT. No, I have not. This particular case, I have not. I will give you an answer.¹

Senator EDWARDS. I have one last thing I want to ask you about before I run out of time. If we could put up the exhibit, please.

You heard me ask Ms. Holland whether she could agree, and I will show you the insert about three specific things. Let me ask you, first, whether you agree that you want your customers to know what their actual odds of winning are. You do want them to know that.

Mr. DAVENPORT. I think it is imperative that our customers, if they want to know the odds, know where to find them, and they are prominently displayed.

Senator EDWARDS. Fair enough.

Mr. DAVENPORT. That I do agree with.

Senator EDWARDS. Good. And you would want them to know that purchases do not increase their odds of winning. In fairness, you would want them to know that, right?

Mr. DAVENPORT. Yes. Absolutely.

Senator EDWARDS. And you would want them to know, if the letters—now, this may not, and I do not know whether your company sends these kind of personalized letters that Publishers Clearing House does—but if letters are computer generated, you would certainly have no objection to them knowing they were computer generated, would you?

Mr. DAVENPORT. I think that—

Senator EDWARDS. I mean, if it is the truth, you don't mind them knowing it.

Mr. DAVENPORT. Absolutely. No, I have no objection.

Senator EDWARDS. So these three pieces of information, what their actual odds of winning are, that purchasing goods does not increase their chances of winning and that letters they are receiving are computer generated, those are all three pieces of information that you would want your customers to know, correct?

¹ See Exhibit No. 23.d. in the Appendix on page 232.

Mr. DAVENPORT. And do provide, except I don't think they are computer generated, but the others——

Senator EDWARDS. And you would have no objection to those three things, which you say you want your customers to know, you would certainly have no objection to those three things appearing in the same size type on the front of the page as the largest type that appears on the page; you would have no objection to that, would you?

Or specifically to a law that says that is what you should do?

Mr. DAVENPORT. I think that all those three, I think we need to negotiate, if that is not quite the word, but discuss with you or any Members of the Committee the most appropriate way of handling that. I am not sure that the way you have proposed it is necessarily the most effective way to handle it, but we are quite happy to look at it. We will have to discuss any particular issue with you.

Senator EDWARDS. Well, if, in fact, experts determine that the most effective way to handle it is to make it in the largest type and to put it prominently on the front page as large as any type that is on that page, you wouldn't have any objection to that, since you want your customers to know this information, fair?

Mr. DAVENPORT. We want them to know where it is. We don't necessarily want to put it in the headline, obviously.

Senator EDWARDS. Well, you don't want to hide it from them, do you?

Mr. DAVENPORT. No, we don't.

Senator EDWARDS. So you would have no objection to it appearing prominently, and you would be willing to at least talk about putting it in as large a type——

Mr. DAVENPORT. I think prominently I am prepared to live with.

Senator EDWARDS. And what about as large a type as anything else that appears on the page?

Mr. DAVENPORT. I have reservations about that, but we would be happy, as a company, to talk to you about it.

Senator EDWARDS. Thank you, sir.

Senator COLLINS. Thank you, Senator.

Mr. Davenport, I want to go back to an issue that Senator Levin touched on, and that is a very common technique that sweepstakes companies use, which is to have two different envelopes, depending on whether or not an order is placed. Now, I understand that there is a legitimate reason for you to want to have two different envelopes so that orders are processed more quickly perhaps than non-orders.

My problem with the two different envelopes approach, particularly when you have text on it such as this, is it gives the impression to the consumer that entries with orders are treated differently than entries without orders. Let me direct your attention to the two exhibits we put up, and this is an example of the yes and no envelopes which Reader's Digest uses.¹

One says, "No. Reward entitlement denied and unwarranted," in big red print. The other says, "Yes. Reward entitlement granted and guaranteed."

¹ See Exhibit No. 11 in the Appendix on page 184.

This is not unusual. A very recent mailing that you have sent out has yes and no envelopes and, indeed, the text of the mailing says, “So far over \$159 million has gone to over 2 million people who have answered yes to our questions.”¹

Don’t you think that this misleads the consumer, your customer, into thinking that entries with orders are treated differently or have a better chance of winning than those without?

Mr. DAVENPORT. All our evidence and data suggests that our customers do understand what they are entering, that they can say no, that we indeed offer yes/no envelopes for precisely the reason that you—where we offer it, and we have done so for many years.

In this particular mailing, again, we looked up the ratios of the people who ordered versus those who didn’t, and there is a higher proportion than normal for the people who, in fact, said no.

All of the evidence says, and there are customers whom we deal with on a regular basis, fully understand what we are doing. Yes, we do offer, as you were saying, they do have different post boxes, and that is just for sort purposes. Years ago we had the yes and no envelopes—just to show you how carefully we know we have to treat our subscribers—years ago they all used to go to the company, and part of speeding the process, we decided to outsource the nos and have it done outside. Our phones rang off the hook, and it was very clear they thought that we were beginning to cheat them. So immediately we had to bring everything back inside and make sure that everything came—if we wanted to outsource them, we had to track it somewhere else.

Senator COLLINS. I want to tell you that our investigation suggests that consumers do believe that there is a difference and that that is why you are using different envelopes and, indeed, with one of the companies, not yours, we found that there is a high percentage of customers who use the yes envelope regardless because they think it increases their chances of winning.

Mr. DAVENPORT. That is not, I believe, true for us. We were asked that question by one of your staffers on Friday and provided some information where we had it.

Senator COLLINS. Well, I think you do not track it; isn’t that correct?

Mr. DAVENPORT. We track it for the magazine to its prospect file, and the percent of the total responses in the yes, the order form, 2 percent apparently say I don’t want it, 2 percent of the total.

Senator COLLINS. Let me go on to another issue, a related issue. You said in your written statement that Reader’s Digest Association’s mailings convey the “no purchase necessary” message clearly and prominently in language that is easy to find, easy to read, and easy to understand.

I would like to direct your attention to Exhibit No. 12.² Is this a promotion offered by Reader’s Digest?

Mr. DAVENPORT. Yes, it is, Senator.

Senator COLLINS. Can you tell us where the “no purchase necessary” disclaimer is.

¹ See Exhibit No. 13 in the Appendix on page 187.

² See Exhibit No. 12 in the Appendix on page 186.

Mr. DAVENPORT. I cannot—I will get hold of the mailing piece, but it is certainly in the first—

Senator COLLINS. It is hard to read, isn't it?

Mr. DAVENPORT. But it is also two or three other places in the mailing piece as well, so it is not just in the—this is the rules from one side of the mailing piece.

Senator COLLINS. In these sweepstakes rules, where it says, and I have to take my staff's word for it because I can't read it, it says no purchase is necessary to win, and I realize it is at the top of those rules, but it is in 6.5-point type, extremely small. Do you really think that is easy to read, as your testimony says?

Mr. DAVENPORT. I think you are being kind to say it is 6.5-point. I think it is even less than that.

We have a policy in—directive is too strong a word—we have a policy which says that everything should be, at a minimum, 7-point, we did this a couple of years ago and let it transition over time. Two of the mailing pieces, I believe, that we sent you were not 7-point type. In fact, we made the decision, because it looks as if it is going to be an industry standard, that effective immediately, regardless, anything prepared today is actually going to be in 8-point type. So that is a decision we have made this week.

Senator COLLINS. And that is certainly a step in the right direction. But as Senator Edwards has pointed out, that still makes it the smallest type of anything in your mailings, and I think you would agree that in this example it is not easy to read.

Mr. DAVENPORT. I would agree with you on that.

Senator COLLINS. Thank you. Senator Levin.

Senator LEVIN. Could we put Exhibit No. 13 up.¹

Senator COLLINS. Senator Levin, I just want to interrupt to clarify something that I have checked with my staff. The one that I showed you is a new Reader's Digest mailing. So there is still definitely a problem.

Mr. DAVENPORT. Yes.

Senator LEVIN. This is a letter of Reader's Digest's.

"So far over \$159 million have gone to over 2 million people who answered yes to our question."

And then when you go to the end of the letter—I think the Chairman read the beginning of that letter—and I want to now have you look at the other board which has the end of the letter, which says, and this is to you, Mr. Davenport: "Good luck, and remember the word that every winner since 1962 has used, yes."

Now, you are representing to your readers that trust you that every winner since 1962 has used the word "yes." And then you provide two envelopes, and I don't know if we have those blown up or not. One says yes and one says no in the same letter.

Now, you have just told your readers that every winner since 1962 has used yes. Do you not think a reasonable person would then think that it would increase his chances of winning to use the yes reply card?

Mr. DAVENPORT. The letter that you are showing is part of—because we were asked to look at the mailing piece, this piece, beforehand—the letter is part of, obviously, a much larger mailing piece,

¹ See Exhibit No. 13 in the Appendix on page 187.

and this is one letter in it. In this case, the yes actually refers to entering the sweepstakes. There is no actual reference to the product offering on that particular letter. But the wording is unfortunate to use the word "yes" as opposed to an entry into the sweepstakes and will not be used.

Senator LEVIN. Well, you say unfortunate. It is misleading.

Mr. DAVENPORT. It will not be used—it has not been used again.

Senator LEVIN. Now, if we could get Exhibit 10 up again. This is back to *Time* magazine.¹

Ms. Long, in your testimony you have indicated that the point of the mailings is not to convince people that they have won a prize. Do you not think that a reasonable person, getting this kind of a notice in the mail, might think that, in fact, that they have won a prize when the big print, for instance, on the right says, this woman is officially declared an \$833,000 winner, and that is what jumps out at her? There may be that real fine print above that, which if she noticed, might say maybe she is not.

But is it not fair to say that a reasonable person, at least, might look at that and decide, by God, they have won something?

Ms. LONG. Senator Levin, that very small type that you refer to is 12-point type.

Senator LEVIN. The point-size type isn't the question. My question is could not a reasonable person—I am not saying everybody—but could not a reasonable person, receiving that in the mail, with their name and with that number that is her number, that she is officially declared an \$833,000 winner, could not, at least, some reasonable person believe, in fact, that they have won a prize?

Ms. LONG. If that reasonable person had very poor eyesight, then, yes, but I think the qualifying type in 12-point type which is the same size as type in a standard letter, is qualifying type that is directly adjacent to the headline.

Senator LEVIN. Can you read that type?

Ms. LONG. Yes.

Senator LEVIN. Right now?

Ms. LONG. Yes. I have very good long-distance vision, as well. It is not as good close up.

Senator LEVIN. Yes. A lot of reasonable people, and we had a lot of them here yesterday, reading this very tiny qualifier don't even see that when they see the big notice below it. I think you won't concede that some reasonable people would not get that impression. You are not going to concede that. I just simply say I think you are wrong, and I hope we legislate otherwise, based on what I think most people would say, which is that some reasonable people, getting that in the mail, would reach the conclusion that they have won something.

But I want to get back to the——

Ms. LONG. Senator, may I make a comment?

Senator LEVIN. Sure.

Ms. LONG. I think that a lot of the people that we heard from yesterday were sons and daughters of people who had been trying to persuade their own parents that they need not make purchases

¹ See Exhibit No. 10 in the Appendix on page 182.

in order to enter these sweepstakes and had failed to be able to do that.

Senator LEVIN. After the homes of the parents were filled up with boxes which had not been opened, then—

Ms. LONG. And I think—

Senator LEVIN [continuing]. Why the parents were so embarrassed and ashamed that they couldn't even invite their kids into their homes. Yes, at that point, then the kids—

Ms. LONG. The only point I am trying to make is I think it is that, that we need to address.

Senator LEVIN. All right. Well, thank you.

The last question has to do with a provision in my bill which has been referred to by Senator Edwards, and I want to ask each of the four of you. Two of you have answered this. There are three provisions that he pointed out or three possible statements that could be made by the four companies in your mailings in big print that he has referred to.

And I want to just refer to one that my bill particularly focuses on, and that is the middle one, if you can put that up, which is that a purchase—according to my bill. I am now going to read the bill—that your notices would advise that purchases do not increase the odds of winning. Purchases do not increase your odds of winning. That is one of the focuses of my bill.

Two of you have been asked whether you have any objection to that being in large print in your mailings, and I think both of you have said that is subject to further discussion. So I want to ask the two who have not responded, just on that one point, since that is a key part of my bill.

Ms. Bernstein, do you have any objection to the law requiring that you, in big print, put in that purchases do not increase their odds of winning.

Ms. BERNSTEIN. Well, Senator Levin, now, all of our mailings now include American Family promise which states, "No purchase is ever required to enter. All entries have an equal chance to win."

Senator LEVIN. I understand.

Ms. BERNSTEIN. It is prominent, it is large, and it is communicated.

Senator LEVIN. And it is different from this. My question is do you have any problem with prominently representing and stating to your recipients that purchases do not increase your chance of winning or purchases do not increase your odds? Do you have any problem with that statement in large print being required in your mailings? I know you say there is something there which is similar to it. My question, though, is do you have any problem with that required to be included?

Ms. BERNSTEIN. We are willing to consider anything reasonable.

Senator LEVIN. Is that reasonable, in your judgment?

Ms. BERNSTEIN. I think this is the way it should be stated.

Senator LEVIN. So you don't agree.

Ms. Holland, you have already said you would have problems with it. Mr. Davenport, I think you have already answered the question that you want to talk about it. Ms. Long, do you have any problem with that being required in large print of your recipients?

Ms. LONG. Well, since you and I have already established that we have different ideas of what is large print, I think what I heard you and Senator Edwards say is that you want it in print as large as any print in our package.

Senator LEVIN. Well, let's just start out with large print, without getting into whether it is as large as your biggest.

Ms. LONG. I would certainly be willing to discuss that.

Senator LEVIN. Willing to discuss it, but offhand you cannot give us a response as to whether you would have any—

Ms. LONG. A particular type size, I—

Senator LEVIN. No, not type size, just that it be required that it be stated in your mail.

Ms. LONG. I have absolutely no trouble at all with the odds.

Senator LEVIN. No, the middle line.

Ms. LONG. With the middle one. I am not going to rule it out, no. I would be open to it.

Senator LEVIN. That is the heart of the problem here, is that, frankly, 40 percent of your recipients, according to the AARP poll, believe that purchasing something will increase their odds of winning. That is, also, it seems to me, the response of a whole lot of reasonable folks. And that is really one of the issues that we are going to be deciding here. If you have any further thoughts on that question or the other pieces that Senator Edwards has gone through with you, I know that we would welcome your comments, for the record, on it.

But that, to me, is absolutely essential; that in large print, and I agree, by the way, it ought to be as large as anything you put in there, but in large print that you tell people purchases do not increase your odds of winning, and that is a key provision in my bill which I am going to be pushing very hard. So anything you want to add for the record I know would be welcome on that.

Senator COLLINS. Senator Edwards.

Senator EDWARDS. I do have to tell you that I find it very surprising that among the four of you no one agrees that you would be willing to do that, even though you claim that this is information that you want your customers to receive.

I want to ask you for a personal thing. Mr. Bagwell, who I asked, I believe, Mr. Davenport about earlier, I believe has received—I am not certain of this—but I believe has received mailings from all four of your organizations. I would just like for you to search your records, find out if he has, and if you would respond to my office in writing, please, that he has, in fact, been taken off your mailing list, I would appreciate that very much.¹

With that, that is all I have, Senator.

Senator COLLINS. Thank you, Senator.

I just have one final issue that I want to raise in the time remaining. We have heard testimony and have received complaints from consumers that when an elderly parent gets enthralled in the sweepstakes game and makes excessive purchases, that it becomes a vicious cycle because with each order that the consumer places it triggers yet more mailings. I would like to get a sense of how

¹ See Exhibits No. 23.d., 25.b., 26.c., and 28 in the Appendix on pages 232, 242, 248, and 251.

many mailings it is possible for one person to receive from each of your companies in a year.

Ms. HOLLAND, I would like to start with you. What is the maximum number of mailings that a person could have received from your company in 1 year?

Ms. HOLLAND. That question was asked of us by the Subcommittee staff.

Senator COLLINS. Right. I want to get it on the record.

Ms. HOLLAND. The number of mailings—I am sorry?

Senator COLLINS. I would like to have you answer it here.

Ms. HOLLAND. I believe the number of mailings that we said are the maximum number of mailings in a year are 144, and we are not sure if one individual could receive them all or not. We do not track the information in that way.

Senator COLLINS. It is my understanding that it is at least 144, plus there could be a certain number of test or affinity mailings; is that correct?

Ms. HOLLAND. I believe that is the way it was stated. But, again, we do not track by individual as to how many mailings an individual got.

Senator COLLINS. Well, I think that is a problem also. I mean, 144 separate sweepstakes solicitations is a huge number, and it is going to the people who are most likely caught up in this vicious cycle.

Mr. Davenport, how about Reader's Digest, what is the maximum number that one consumer could receive from your company in a year?

Mr. DAVENPORT. The maximum that was received—

Senator COLLINS. That was received.

Mr. DAVENPORT [continuing]. Last year was 122, which we provided your staffers. On average, it was six. And we'll look—

Senator COLLINS. But, see, that's my point exactly. The person who received 122 is the person who has responded time and time again.

Mr. DAVENPORT. I think we have—we agreed to send you in writing what actions we are taking¹ as a result of—and addressing these very high-activity, if you would like to call them frequent, where they clearly are vulnerable, is something, instead of just putting a safety net, as I call it, down, we are going to have to take some very proactive discussions. From our research, we almost cannot find them, but that doesn't mean—we are going to have to take special action.

Senator COLLINS. And I will give both Reader's Digest and Publishers Clearing House credit for starting to take some steps to deal with the frequent purchasers. I was shocked when I saw that Reader's Digest in 1997 had 300 customers who purchased \$10,000 or more of merchandise, and that Publishers Clearing House had a list of 125,000 people who purchased more than a \$1,000.

Mr. DAVENPORT. I don't think that figure is correct. I will give you—

Senator COLLINS. That is the information provided to us by your company.

¹ See Exhibit No. 23.d. in the Appendix on page 232.

Mr. DAVENPORT. Last year, no one, I don't think spent as much as \$10,000.

Senator COLLINS. But that was a 1997 figure, which was the 300 purchasing more than \$10,000, a truly shocking number.

Ms. Long, how many could one individual receive from your company?

Ms. LONG. Unfortunately, when your staff asked this question, we were not able to give them an answer without extensive programming because of our very decentralized nature. Our databases are vertical by magazine and very hard to aggregate a single subscriber's name across all of our entities.

Senator COLLINS. And I would suggest to you that that creates a real problem when the adult children of victims are trying to solve the problem. Because when they call you, they can't even get an answer of how many subscriptions there are, how much money has been paid from one location. That was a complaint that we got; that they had to go from all of the magazines that are sold by Time Inc., individually, and it made it very difficult for them.

Ms. LONG. And, Senator, we do credit you with bringing that to our attention and are committed to building the systems required to be able to do that in the future.

Senator COLLINS. Ms. Bernstein, how many from American Family Enterprises could, how many solicitations could one individual receive in a year?

Ms. BERNSTEIN. Well, Senator, we know that 81 percent of our files received six or fewer mailings from us and a small number, it is somewhere around 600,000, received 20. Now, in addition, we have put in place a program that now is close to a year old in which case we have identified the people for whom the "no purchase necessary" letter may be insufficient and, in fact, we take them off our list, and they have not been getting any further mailings from us.

Senator COLLINS. So 600,000 people received 20 or more from your company, sweepstakes solicitations, in a single year. And there is a smaller percentage, which you have been unable to quantify to date, that received significantly more than that; is that correct? That is the information—

Ms. BERNSTEIN. That is not correct, Senator Collins. It depends what you mean by "significantly more." We don't mail—

Senator COLLINS. Well, why don't you define that for me. Those are the words from the responses we received from your company.

Ms. BERNSTEIN. Yes. What I would like to say is they received more, and a small number may receive as many as 40, and that is what they receive.

Senator COLLINS. I hope this makes you understand the problem that we are dealing with. Because you are individual companies. Consumers are not just receiving mail from one of you. They are receiving mail from all of you. So start to add together the figures that you have just given me, and you can see why all of us have consumers who bring us literally boxes of sweepstakes solicitations, and those are the consumers that are most likely to be taken in by the very aggressive and, in some cases, deceptive marketing techniques that we have talked about today.

Senator Levin, do you have a final question?

Senator LEVIN. Just a couple questions as to which of your companies rent your lists to other companies. And I wonder if each of you could answer just that question first.

Ms. Bernstein, does your company rent your list to other companies?

Ms. BERNSTEIN. Senator Levin, we do not rent our magazine subscribers.

Senator LEVIN. How about your list?

Ms. BERNSTEIN. Well, I will tell you—

Senator LEVIN. Are there any lists that you rent to other companies, any lists at all that you rent to other companies?

Ms. BERNSTEIN. There is a small program of book buyers, of merchandise buyers, that are rented.¹

Senator COLLINS. Ms. Holland.

Ms. HOLLAND. We do not rent our mailing list.

Senator COLLINS. Mr. Davenport.

Mr. DAVENPORT. The magazine 2 years ago started to rent its magazine subscriber list.

Ms. LONG. Yes, we do rent our list.

Senator COLLINS. And do you rent from other companies? Let's start with you, Ms. Long.

Ms. LONG. Yes, we do.

Mr. DAVENPORT. Yes, we do.

Ms. HOLLAND. Yes, we do.

Ms. BERNSTEIN. We rent names to acquire new customers.

Senator LEVIN. You acquire names.

Let me start with you, Ms. Long, one question about how many letters a person could get that looked different about the same sweepstake. We know from what you have testified to already that at least two letters, looking different, for the same sweepstake could go to the same person. What would be the maximum number of different letters for the same sweepstakes that could go to one person, different looking letters? Do you know or could you check with your—

Ms. LONG. I would hate to hazard a guess. I am not sure whether you are trying to—all of our magazines use the same prize structure. Is that what you are asking?

Senator LEVIN. The same what structure?

Ms. LONG. The same prize structure. So at *Time* magazine—

Senator LEVIN. No, what I am talking about are two letters—

Ms. LONG. Two different magazines.

Senator LEVIN. No. They're both from *Time* magazine.

Ms. LONG. OK. But my point is that—

Senator LEVIN. It is the same sweepstake. You have already testified to that. My question is how many different looking entry material—

Ms. LONG. Would *Time* magazine send someone?

Senator LEVIN. Yes, for the same sweepstakes.

Ms. LONG. I don't know.

Senator LEVIN. Could it be three, four, five, or six?

Ms. LONG. If it were a renewal notice.

Senator LEVIN. For the same sweepstakes.

¹ See Exhibit No. 26.b. in the Appendix on page 247.

Ms. LONG. Sure.

Senator LEVIN. Would you have any objection to—see, the problem here is that people then think they are getting entries to different sweepstakes and that they have not entered that sweepstakes already. Would you have any objection—I will go down the line with this—to saying only one letter per sweepstakes per recipient?

Ms. LONG. I just have never thought about it that way.

Senator LEVIN. Mr. Davenport.

Mr. DAVENPORT. I think, as long as it is made very clear, that this was not a unique entry, I would object, yes.

Senator LEVIN. You would object.

Ms. Holland.

Ms. HOLLAND. Yes, I would object. The sweepstakes have a starting and ending date which is clearly outlined in the rules, and different mailings are sent throughout the life of the sweepstakes. I don't think there is anything wrong with that, and that is why I would object.

Senator LEVIN. Ms. Bernstein.

Ms. BERNSTEIN. I am certainly not prepared to comment. But let me tell you that each mailing is an entry to the sweepstakes, and that is clear.

Senator LEVIN. I think what we have really seen here is that sweepstakes are much—all of these promotions here are much more than just simply a way to get people's attention, to get them to open the envelope. They become much more than that. And what happens here is that the sweepstakes promotion has overtaken the product promotion and that people are buying products that they don't need too often and don't want in order to be eligible for the sweepstakes, in their mind, or, in order to believe that they would have a better chance of winning the sweepstakes. We know that from testimony, we know that from the market testing which has been done by groups such as AARP.

They are not used only to get a person to open an envelope, they are used to get people to respond, and in responding, to order products. And too often those are products that people just do not need, and that is, frankly, what this is about in terms of the abuses.

Nobody that I know of has a problem with marketing your particular products in ways that do not persuade or mislead people that they have to buy something to enter or, what is more likely, is that their chances of winning will be increased by entering.

And the design of these materials, as well as frequently the language in these materials, and the way the type is set in these materials, is all intended to achieve that goal. And if it is not intended to do that, then what we are seeing with our own eyes is deceiving us. Because these examples clearly would lead many reasonable people to believe that they have won the sweepstakes, and if they enter in a certain way, that they can collect their prize—armored car or otherwise.

And that is why these solicitations, the way they are used, have become deceptive. They try to make people believe that they have won something or that they are in a special category of people who can win something or have a better chance of winning if they order something.

And we have just learned that reputable companies are willing to use these particular tactics. In one case, we learned that they will use an outright lie in their mailing, and we just simply have to try to put an end to it, hopefully, with your cooperation. But either way, we have an obligation to legislate here, to close the loopholes in the existing law, and to toughen the law where there are no loopholes to get at the abuses.

These mailings play on the emotions and the hopes of the American people, and they do it for profit. There is nothing wrong with profit at all, but there is something wrong in abusing people's hopes in the way these mailings do too often.

And, again, with or without your cooperation—hopefully, with—we just simply should act. And I hope in this Congress that we will adopt many of our proposals which we have discussed, and I know that all of us would welcome any further comment that you have relative to the questions that we have asked or any other thoughts that you might have for the record.

And, again, let me commend you, Madam Chairman, for your leadership and for your convening these hearings. They have been very helpful.

Senator COLLINS. Thank you, Senator Levin.

Senator Edwards.

Senator EDWARDS. Just very briefly. Madam Chairman, let me also commend you for your wonderful work on this subject and, Senator Levin, also, for conducting these hearings. I have to tell you all I came here this morning with a hope, and I think even an expectation, that I would leave the hearing feeling better about this situation than I came to it with. That did not occur. I leave the hearing more concerned than I came to this hearing with.

There are, it is clear, any normal person would look at these mailings that have been displayed during the course of the hearings this morning, and their response would be that they are intended to fool people, to mislead them.

And when you are asked specifically about telling people about their odds of winning, and that purchases are not necessary and do not improve their chances of winning, and that these mailings are, in fact, computer generated, and when, in one specific instance, you are asked about an outright lie in a letter, your response is to defend, to say we are willing to negotiate, we are not willing to agree that these suggestions that you are making are appropriate, I think leads me to a simple conclusion, which is we have to deal with this problem because we have got to make sure that people like Mr. Bagwell, in North Carolina, are not inundated with these mailings, are not victimized by them and that they are protected.

And I, along with Senator Collins and Senator Levin, I think intend to do everything in our power to do that. But I do thank you all for being here.

Senator COLLINS. Thank you, Senator Edwards.

Before adjourning this hearing, I want to make just a couple of comments. What troubles me most about what we have heard during the past 2 days is that you are the legitimate sweepstakes companies. You are the leaders in your field. You are companies whose reputation is high. And yet what we have heard is a pattern of de-

ception, of misleading copy, of taking advantage and exploiting elderly people that I think should cause all of you great concern.

In subsequent hearings, we are going to focus on fraudulent sweepstakes, those in which no prize is ever awarded or a consumer is forced to pay for something with no product at all. But I have to tell you that, in many ways, I think you, the legitimate companies, do far more harm than those outright fraudulent companies because your reach is so far.

You enter the mailboxes of virtually every American. That troubles me greatly. It troubles me that I have heard such an overwhelming pattern of highly aggressive and highly deceptive techniques that are used to market your products.

I am going to ask you today to not only adopt internal reforms, but to work with us in a constructive way, so that we can have a tough new Federal law that ensures that we do not hear of any more Mr. Halls. That we do not hear from constituents whose relatives have spent tens of thousands of dollars, who have squandered their life savings, spent their Social Security checks, borrowed money thinking that if they made a purchase that grand prize was going to be there.

I am very troubled by what I have heard. I invite you to be part of the solution. I do appreciate your being here today and your cooperation with this investigation.

I also want to thank the staff which has worked very hard on this investigation—Kirk Walder has been the chief investigator—Senator Levin and his staff, as well as Senator Cochran and his staff have also been very involved in the investigation.

I thank you for your attendance. The Subcommittee is now adjourned.

[Whereupon, at 12:40 p.m., the Subcommittee was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF EUSTACE HALL

My name is Eustace Hall and I am here today to tell of my unfortunate experience with sweepstakes. I am a 65 year old retired medical technologist. I currently work for AT&T selling mobile phones. I had to take this job with AT&T due to debts I incurred while playing sweepstakes.

I asked my daughter Angela to accompany me here today, as this is a difficult topic for me to discuss. I first began entering sweepstakes at the end of 1992. I began entering sweepstakes because I wanted to provide my daughter Angela, who was in law school at the time, with more financial assistance. I am proud to say Angela is now an attorney, but the money I thought I was due from the sweepstakes never came.

I now realize that the letters I received from sweepstakes misled me into making unnecessary and excessive purchases. I estimate I have spent \$15,000 to \$20,000 from 1992 to the present on sweepstake purchases. I have had dealings with all of the major sweepstake companies including Reader's Digest, Publishers Clearing House, United States Purchasing Exchange, Michigan Bulb Company, American Family Publishers and others.

Every time I made a purchase I always looked for the cheapest products. I always made purchases because I believed that through purchases I increased my chances of winning. The mailings always looked official and they used a lot of tricky phrases. The letters were confusing. They always led me to believe that I had to purchase products to win. I thought that my past purchases made me more likely to win.

I was not aware of the "no purchase" option. The instructions which were written on the back of these sweepstakes entries were so small and hard to read that I could not read them without a magnifying glass. Moreover, I believed from the letters I received that my purchases gave me a better chance of winning. After all the time and money I spent I have nothing to show for it. I have never won anything.

The sweepstakes used phrases that made me think I was a winner and that the prize was guaranteed and bonded. Over the years, I received many personalized letters from the sweepstakes companies thanking me for being such a good customer and telling me that my chances of winning were good or that it would soon be my time.

I have a copy of a letter from Dorothy Addeo, Publisher's Clearing House Contest Manager. I would like to read a short portion of the letter.

"My boss dropped into my office the other day, sat down and sighed.

"What's the story with Eustace Hall? I see that name on our Best Customer List, on our Contenders List, on our President's Club Member List. But I don't see him on our Winner's List. Their must be something we can do to change that. It's not right when someone as nice as Eustace Hall doesn't win."

This is just one example of how I was lead to believe that my prior purchases made me special. I purchased things I did not need, magazines I did not read. Some of the stuff I purchased I never even opened. I stored the things in my garage and attic and tried to sell some at garage sales, but I got very little money for the stuff since most of it is just junk.

Another thing that cost me a lot of time and money was entering the sweepstakes. I was informed by Publisher's Clearing House that if I returned my sweepstakes entries within 24 or 48 or 72 hours, I would win a specific prize. I often drove 20 miles to the main post office to make sure my entry would get there in time. I often spent money to send the entry in an express or priority envelope just to make sure I would meet their deadlines.

Super Bowl Sunday was always a very depressing day for me. Super Bowl Sunday is when the Prize Patrol delivers the big prize. I always thought it was going to

be my lucky day, but the Prize Patrol never came to my door. I always became very depressed after I did not receive a visit from the Prize Patrol.

I now realize that I was not special. I never was close to being a winner. They just sent me mailing after mailing with each one making it seem like I was closer to the prize. Well, they are the ones who won the prize—all of my money. Playing the sweepstakes cost me a lot. I had to return to work. I refinanced my house several times. And, I had to borrow from my pension fund 4 or 5 times to pay my sweepstakes debts.

I thank you for the attention you are paying to this matter. If new laws help to stop someone from going through what I had to endure you have done a good job. It just is not right the way these companies are allowed to mislead and feed upon good peoples' trust.

PREPARED STATEMENT OF CAROL GELINAS

My name is Carol Gelinas and I would like to tell you how my late father, Clyde Schott, was victimized by sweepstakes promotions. My father had been a middle-management sales executive for the Crane Company, in Chattanooga, Tennessee. After his retirement in 1977, he worked part-time for several years for the TVA to "have something to do." Following the death of my mother in 1982, he lived alone in Chattanooga until 1991, when health problems forced him to move to Bangor, Maine, where my husband and me live. He then moved into an assisted living facility. At the time of his move, he had granted me power of attorney in anticipation of possibly needing help in the future. Up until this time, he had handled all of his own affairs, including managing his investments, which he continued to do for some time after the move. My dad successfully invested his money, monitored his stock and mutual fund investments, while at the same time his sweepstakes related purchases became excessive. Due to health problems, approximately 15 months after his move to Maine, I became involved with his personal affairs. It was at this time that I became aware of the amount of money he was spending in connection with sweepstakes promotions.

In trying to balance his checkbook, I discovered that he was writing 30 to 40 checks each month, when his only bills were his rent, telephone, and cable TV. Most of the checks ranged from five to twenty dollars, and frequently he had written many checks to the same organization for the same amount of money. I estimate that over a 14 year period, from 1982 through 1996, dad spent approximately \$60,000 on sweepstakes related mailings.

When we visited him, my father often had small items of costume jewelry, watches, synthetic unset gems, and other such trinkets that he wanted to give me. He said these were "free gifts" to him, and he had no idea why he had received them. In actuality, he had returned purchase agreements that promised a "free gift," not realizing that he had ordered books (which his poor vision prevented him from reading), audio and video tapes, music boxes, vitamins, etc.

Even though I possessed power of attorney, I found it very difficult to curb these abuses. My father had always been a very independent person, and it was important to his self-worth to remain at least partially in control of his affairs. I had explained to him many times that these "free" gifts were not free, but he truly did not understand. I finally managed to set up a separate checking account for his use, into which I deposited \$300 a month, knowing full well that all of it was spent in the vain expectation that he was about to win a fortune in a sweepstakes promotion. He ordered tapes, books, videos, and gift subscriptions for other people, believing that he was so close to winning that these purchases would virtually guarantee it.

Particularly insidious were the "personal" letters addressed to him that led him to believe that he was one of two or three finalists in sweepstakes promotions. He did not understand that these were generated by a computer: if the internal address was to him personally, at his residence, and began "Dear Clyde," he was certain that he had been selected for special consideration. (He always referred to these as "letters" and greatly enjoyed receiving them, even if he received 30 or more identical ones from the same organization on the same day. They made him feel important, and he would often tell me with great satisfaction how many "letters" he had received that day). In tiny print, often in a shade of gray on a gray background, these "letters" accurately gave the odds of winning as one in a hundred million or more. But these were literally invisible to him. Others informed him that he was a "guaranteed winner" and that all he needed to do to receive his prize was submit a processing fee, amounting to five to twenty dollars. The prizes included such things as checks for twenty-five cents, and many of the trinket items that, as far as he was concerned, were of great value and arrived "out of the blue."

Two of the biggest problems were Reader's Digest and Time-Life audio tapes. He had accepted "free gifts" that enrolled him in automatic purchase plans. When the first purchase item arrived, he would give it to me, not knowing why he had received it. When I contacted Time-Life, I learned that he had made purchases of over \$1,500 in merchandise in one year, all of which he thought was free. This company was helpful in disenrolling him once the outstanding bills were paid and discontinuing mailings to him. Reader's Digest, however, was extremely difficult to deal with. I called the customer service number on several occasions to direct them to remove his name from their mailing list. I always paid the outstanding bills (amounting to hundreds of dollars) and sent them a copy of my power of attorney. However, as soon as he was disenrolled, they sent him another promotion and enrolled him again, beginning the cycle all over. What finally stopped this was nothing I was able to do, but his failing eyesight. This led him to give me all of his mail, and I was able to intercept the continuous bombardment of Reader's Digest promotions.

Unfortunately, one outcome of these encounters was my father's suspicion that he really HAD won millions, and that I had somehow taken it. When my husband and I went on vacation, or on one occasion when we bought a new car, my father was very suspicious about how we could afford these things.

PREPARED STATEMENT OF PATTI McELLAGOTT

My name is Patti McElligott. I live in Tyler, Texas where my husband and I own our own lawn sprinkler company. I have come to you today to share my family's account of mail abuse by both magazine companies and so called charities.

My husband's father, Joseph P. McElligott, Sr., was a retired Army Lt. Colonel. He was active in the community and church and took care of all of his affairs until he was moved into a retirement center in 1998. Mr. McElligott started playing sweepstakes in 1992. For quite some time, my husband had been after him about the amount of mail that he received. He also emphasized that he couldn't and shouldn't believe everything that he received in the mail.

After we moved my father-in-law into a retirement center, my husband and I went to his home and removed the mail so that we could go through it and determine what needed to be dealt with and what could be thrown away. I took out 13 thirty-three gallon trash bags of mail. Ninety nine percent of what I threw away was from sweepstakes, contests, or various organizations asking for money. Many were multiple copies of the very same mailing.

We immediately had all his mail forwarded to us at our office and made sure that his phone number at the retirement center was unlisted. I began receiving numerous magazines, sometimes as many as 20 in one day. At first, I threw them aside thinking that the subscriptions would soon expire. The magazines continued to pour in. I began to notice that we were getting multiple copies of the same magazine. Five issues of *Time*, three issues of *TV Guide*, 2 issues of *Guns and Ammo*, and on and on.

On August 5, 1998, my father-in-law died. At that point, I was able to actively do something about this large volume of mail. One day, I happened to look at an expiration date on a label of the magazine and noticed that the subscription went past the year 2000. At that time, I started to look at all the labels and noticed that almost all of them expired somewhere past the year 2000. One subscription to *U.S. News and World Report* ran to the year 2018. I began to call the various magazines and requested refunds.

When I called the magazine companies, more times than not, I would be told that the subscription was through American Family Publishers or Publishers Clearing House. After making several calls to American Family Publishers and Publishers Clearing House to request refunds, my father-in-law's records mysteriously disappeared. After insisting that records must be there and that the IRS requires all information to be available for 7 years, we were told that we had to speak to a supervisor, none of whom were ever available.

To date, we have deposited or are expecting nearly \$3,000 in magazine refunds. We still have some we have not had time to contact. We did find it interesting that some organizations, like NRA, consider the "fee" to be a contribution and the magazine was a gift. Therefore, there would be no refund.

After going through most of the records, we found canceled checks in the amount of \$8,704.09 for United States Purchasing Exchange, \$1,075.71 for Time Warner-Sony Sound Exchange, \$1,931.09 for Time Life Books, \$10,098.68 for Reader's Digest, \$2,088.85 for American Family Publishers, \$3,090.08 for Easton Press, \$6,797.52 for Publishers Clearing House, \$123.64 for Magazine Express, and \$1,776.53 for Astronomy Book Club. In total, we found canceled checks which to-

taled more than \$34,000, for the above listed companies. Additional checks made out to individual magazines along with the above listed companies total \$53,335.13!

My father-in-law had subscribed to over 158 different magazine titles. Many of the checks were made out to the magazine itself, but we have noticed that the checks were being deposited into the account of American Family Publishers. He also had multiple subscriptions to the same magazine. The most blatant abuses were 32 subscriptions to *U.S. News and World Report* with 17 of them going through Publishers Clearing House, 4 through American Family Publishers, and 11 through the magazine itself. There were also numerous subscriptions to *Time* and *TV Guide*.

I firmly believe that my father-in-law's name had been passed onto a "sucker list" for questionable charities as well. We have not sorted and calculated all of the checks but it will surpass the amounts on the magazines. The common thread seems to be again, sweepstakes, contests, and the promise of winning money. We have worked with the Post Office since the end of October to save all "junk" mail and we pick it up from them. Since the end of October, we have amassed 3 large archival storage boxes of junk mail including contests, sweepstakes, and charities, most of which are bogus. We noticed quite a few from Topeka, Kansas. The Post Office Boxes are very similar with merely a few numbers difference. We have contacted the Better Business Bureau in Topeka and requested information of the various organizations. We were told that every year they send out a form and ask for information. Legitimate charities and organizations return them. None of the ones we had were listed, with the exception of one.

These are the highlights of what we discovered in reviewing my father-in-law's check registers and mailings. We have boxes of mail proclaiming Mr. McElligott as the winner of millions of dollars. This mail abuse on our elderly must stop. My father-in-law came from a generation that was trusting and could not believe that people would actually try to swindle them. Many elderly people are just as trusting. I assure you, there are many more Joseph McElligott's out there. I hope these proceedings will heighten the awareness of this issue to prevent other families from having to endure this abuse.

PREPARED STATEMENT OF STEPHANIE BEUKEMA

My name is Stephanie Beukema. I am a licensed psychologist from Cambridge, Massachusetts. I am here today to tell you about my mother's involvement with the purveyors of junk mail.

My mother always invested her money wisely and lived frugally until she became involved with sweepstakes. She got involved through the promise of prize money from companies like Reader's Digest and Publishers Clearing House in order to replenish her savings after treatment for breast cancer. The lure of luck and personalized letters that seemed to single her out led her to respond to several mailings from several companies. She spoke about her "ship coming in", and asked why she shouldn't be as lucky as the next person. She would receive letters that "promised" a reward for an immediate response. She would dutifully respond, immediately sure that she was within the time parameter. Her excitement built. She'd been told to have several family and friends available for that lucky moment when she would receive her prize money and benefits. This moment kept getting put off. It didn't diminish her belief. But six months became a year and a year went to a year and a half. She believed what she read in the letters. My mother was very trusting of traditional organizations like the Post Office and Reader's Digest.

As she became more involved, her mail-driven activity took up more and more of her life. She couldn't leave her home to visit family and friends overnight because she might miss a mailing or a surprise visit from a company representative. She had to be there to get the mail everyday. There was more and more mail with boxes of it arriving on a daily basis. Who could find the gas bill and the tax bill in all those letters? She began to irregularly pay her ongoing bills as she started juggling money so she would have enough to send to Publishers Clearing House, The Lottery Doctor and American Purchasing Company. She couldn't even pay large expenses, like homeowners insurance and property taxes, because she didn't have enough money in her account. She then stopped paying for the magazine subscriptions she'd ordered, and the debts began to mount and they went into collection.

She became very defensive with her family and friends, and insisted that she was as likely to win as anyone: "Someone has to win and why shouldn't it be me?" she would ask. She was in danger of having her house and property repossessed for non-payment of taxes when I, along with my siblings, stepped in and suggested that she needed some help. In her house, there were literally narrow paths between boxes

of unopened mail, stacks of magazines, books and videos, and boxes of merchandise she'd ordered.

After participating in sweepstakes for 18 to 24 months, she had spent somewhere between \$60,000–\$80,000. She had sold stocks, had thousands of dollars in credit card debt and, most humiliating for her, she had lost her good name in town. She was frightened she would be seen as losing her faculties, so she hid more. She voluntarily gave financial power of attorney to my brother, who was responsible for my mother's finances until her death in December 1998.

In October 1994, I stopped all junk mail in my name from coming to my house. I was unable to do so for my mother at her house. In some cases, it was nearly impossible to contact some of the sweepstakes companies because they did not include addresses on their packages. Many people are vulnerable to fraudulent mail practices because they are more trusting of the signs of legitimacy, like the name "Reader's Digest." They are vulnerable to letters that appear original and personalized when, in fact, they go out to hundreds of thousands of people. They respond to what seems friendly, exciting, and promising. It is shameful what passes as legitimate and accepted business practice when it decimates a person's sense of themselves as well as their livelihood.

I am reasonably intelligent and not yet elderly. I could easily spend several hours a day trying to understand the "fine print" that is included in much of the mail that comes to my house. I spend several hours a week protecting myself from unwanted solicitation. While the laws that exist may be sufficient to protect me as a citizen, I really don't think they are adequate to protect unusually vulnerable populations like the elderly, which are not as capable of protecting themselves from deceptive sweepstakes practices. I also am very troubled when I begin to consider that the government itself can be seen as legitimizing these practices by implicitly condoning fraudulent and unethical scamming as legitimate. The mail is delivered to your house by government employees. It all looks legitimate but what comes to pass is shameful and secret.

I would like to thank you for allowing me to share my mother's story with you. I hope that, through these proceedings, other senior citizens will be spared the public embarrassment and humiliation that my mother experienced.

PREPARED STATEMENT OF CHARLES DOOLITTLE

My name is Charles Doolittle, I am from Inverness, Florida. I am here today to share the story of my parents involvement with sweepstakes. My father, age 84, is a retired executive from a Fortune 500 company and my Mom, age 83, is a homemaker. They live close by, and I now have power of attorney for their affairs.

My parents initially became involved in sweepstakes in 1992. My parents routinely participated in sweepstakes offered by United States Purchasing Exchange, Publishers Clearing House, Reader's Digest, American Family Publishers and assorted charities seeking donations. Mom and dad always purchased items believing that purchases enhanced their odds of winning.

Mom and dad bought magazines they never read and products of little or no use to them. They purchased numerous compact discs and VCR tapes even though they didn't have a CD player or a VCR.

I have brought checks here which reflect money they spent on these mailings in 1997 alone: \$704.30 to American Family Publishers, \$3,036.60 to Publishers Clearinghouse, \$1,713.28 to Reader's Digest, \$260.90 to Time, \$3,993.07 to United States Purchasing Exchange and \$413.06 to assorted charities. This totals \$10,121.37 for 1997 alone.

I believe our nation's seniors are very susceptible to the deceptive mailing practices of some companies. It always amazed me when I went to visit Mom and Dad and saw the pile of solicitations they received on a daily basis. There always was a pile on the dining room table of sweepstakes, many which stated they were a winner or a finalist. The mailings implied that they were valued customers and that because of their past purchases they would soon be big winners.

I asked my mailman if the sweepstakes offerings they received was an unusual amount, since they seemed to receive more than their share. The mailman told me he had several people on his route who received numerous sweepstakes offers every day. The mailman said that most offers seemed to go to elderly widows.

The last few Super Bowl Sundays have been tough. Mom has been convinced that her prize would be delivered on Super Bowl Sunday and insisted on being home to collect her winnings. Mom believed that the Prize Patrol was going to show up on her doorstep to deliver her Grand Prize.

I also have a complaint with the billing procedures. I believe some of these organizations may double bill and double ship merchandise to unsuspecting seniors. Cus-

tomers end up sending payments, placing more orders, and the cycle continues. It is like watching someone take money right out of my parents pockets and there is nothing I can do.

I have tried contacting companies to get my parents names off mailing lists but, to this day, the offers continue to roll in.

It may be to late for my parents, as they have already lost thousands of dollars. It is my hope, however, that these hearings will shed some light on what I believe to be a fraud perpetrated upon the most vulnerable and trusting seniors.

PREPARED STATEMENT OF DR. KAROL CARTER, DVM

Madam Chairman and Members of the Subcommittee, my name is Karol Carter and I reside in Troy, Michigan. I would like to say I am here on behalf of my 86 year old father, Allan Carter, but he currently is upset that I am attending these hearings. He is concerned that I am ruining his chances of winning a Reader's Digest sweepstakes when he, and I quote, "Am getting close to winning." My father has a doctorate in organic chemistry and retired from Chrysler Corporation. He resides with my 84 year old mother in a condominium in Troy. I have never questioned his intelligence, but since the sweepstakes began all sense of reasoning with him has become impossible. He has never gambled in his life nor will he play our State lottery.

The problem began innocently enough with his first entry to a Reader's Digest Sweepstakes about 15 months ago. He suddenly was inundated with contests from all over the United States, Australia, England, and Canada. I began a serious effort to halt this by contacting the Postal Service and was advised to write the Mail Preference Service Direct Marketing Association in Farmingdale, New York. I wrote twice, the last date July 8, 1998. I have mailed 26 certified letters to 26 companies who have contacted him, requesting the stoppage of all solicitations and that his name be removed from the mailing list. Copies of those letters have been provided to the Subcommittee. I requested a letter of response. I also stated that a copy of the sweepstakes had been mailed to the Consumer Protection Division of the Michigan Attorney General's Office and also the U.S. Postal Service. I actually only mailed complaints regarding Motor Vehicle Awards, SETA Corp., and Reader's Digest to the Attorney General, in April 1998. I received written responses from the Attorney General stating that the information had been received and that letters had been written to the organizations.

My father is totally convinced that these contests are legitimate. The marketing concepts of these companies are cunning. All sweepstakes are associated with making a donation, paying an entry fee to upgrade your winnings, or making purchases. Small print notifies "no purchase necessary to enter." If you decline to purchase or to upgrade, the address for your "NO" entry is different from the address for "YES, I'd like to buy something." My guess would be that one leads to a trash dumpster and the other to company profits.

An example of this is the Motor Vehicle Awards entry which states, "You have been identified as an award recipient in a national sweepstakes. You, Allan Carter, are guaranteed to receive a brand new automobile or cash award. There is no mistake your award is waiting to be claimed. Your award has been confirmed by our auditing department and is formally identified by the award registration number that has been preselected and assigned by Motor Vehicle Awards. Legal Title to the brand new Chevy Malibu will be executed and transferred to you, Allan Carter, pursuant to and in accordance with the Motor Vehicle Code of the State of Michigan and the regulations of this presentation as they appear on the reverse side of this document. In addition an Optional Commodities Package with a fully redeemable value of over \$2,500 is being held pending your submission of the standard acquisition fee." The fee is \$14.98. The award registration form asks to verify the correct name and address, but also requests a telephone number and if you have a Visa or MasterCard. The back of the form states that the winning claim number has been preselected and that 3,000,000 copies have been mailed. My father entered this contest July 1998. Further reading reveals that all entries must be received by August 31, 1999. The Grand Prize will be awarded on or about October 1, 1999. This allows Motor Vehicle Awards a year to collect \$14.98 from those willing to fall for the Commodities Option as he did.

Another sweepstakes gimmick is games of skill. Games such as Cash 21 require you to try to obtain the highest possible total score with the last two digits of the solution not exceeding 21. You continue to receive new entries to the same contest to break your tie score with other contestants. My father received eight entries on the same day in the mail. All were to the same contest but with each a different ID Number. A \$1.00 processing fee is required for each entry. If you do not continue

to the next level, you receive further mailings stating, "You are in danger of losing out on a potential GRAND PRIZE." I was receiving daily calls to help him on this contest. This math project I dumped on another family member. Unfortunately the rules state, "Evidence of collusion or use of computer devices other than calculators are grounds for disqualification." This contest mercifully ended September 30, 1998.

Sweepstakes are also supported through "Donations." The contest states that most "winners and entrants" include a small donation to help provide food, shelter, medical supplies or whatever for animals, children, or veterans. Boxes are normally marked \$10, \$15, \$50, etc. My father, generous soul, enters these "free" contests with a \$50 or \$100 donation, foolishly thinking the money is all going to help the needy—not run the contest. This method is used by Easter Seals, Little Shelter, Miracle Flights, Wildlife Fund, Missing Children, Childhood Leukemia Fund, the Paralyzed Veterans, the Disabled Veterans and so on. Once a donation is made you will receive a similar request on a monthly basis.

Finally we have the contests associated with (1) magazine subscriptions, (2) clubs such as the Travel Club, or Favorites from the Classics, and (3) the purchase of catalogue items. At 86 years of age my father has all the possessions he and my mother should need, or so I thought. Now thanks to Reader's Digest, American Family Publishers, Time, Life, U.S. Purchasing Exchange, etc., he has enough videos to open a video store—about 200—and at least 150 compact discs. These items are sold at inflated prices and the quality is often poor. Many of these video cassettes have not ever been opened. This leads me to believe that he did not want them. He purchased them to increase his chances of winning. He saves all the packing boxes to appease me, "because they can be returned for a full refund." He really had no intention or need to have a magic feather duster, plastic microwave dishes, jewelry, imitation crystal plastic vases, rear view mirror magnifier which does not work and is dangerous, and the electronic stud detector. Of course, sadly, many of the magazine subscriptions are sent to family members or my office so we are all on the dreaded LIST.

Many contests implore you to act quickly. Entries must be returned by "next Tuesday." They arrive by bulk mail with no date. Most envelopes are official looking with words such as "Very Important Issuance," "Notice Authorized by Executive Order," and "Special Advisory." Some contain promotional \$1,000 bills. The odds of winning vary from 1 in 3,000,000 to the ridiculous Readers Digest 1 in 85,000,000. One has a greater chance of being struck by lightning. Of course, all winnings go only to the named contestant. Father stands a good chance of not even being alive by contest end. He thinks the money will go to his estate and help care for my mother. That is the beauty of preying on the elderly—they may not even be alive to collect the total amount which is paid out over 30 years, should any of them become the 1 in 85,000,000.

What is this costing him? I feel like Sherlock Holmes sneaking his financial information. Checks written for less than two months last year amounted to \$1,400. Charge card expenses for one month amounted to \$980, with \$680 to United States Purchasing Exchange. My mother suffers from a dementia which, regarding this mess, is probably a blessing as she has no idea how much money has been wasted. My pursuits have been as follows:

(1) My parents have had an unlisted telephone number for 15 years to prevent unwanted solicitations. I had the number changed again after he was conned out of \$9,880 over the telephone by some smooth talking "attorney" who had obtained his unlisted telephone number from one of the sweepstakes companies. The Cashiers Check was delivered by Federal Express to Quebec, Canada, but cashed in Israel.

(2) His Visa Card company issued him a new card.

(3) I contacted the Oakland County Probate Court to consider petitioning for conservatorship. I cannot take over control of the funds of a man who can still drive, shop, get to appointments, take medications properly, and care for my mother. He functions normally in every other way. Though this would stop the sweepstakes it is too brutal. One might say that his behavior is not "normal" and certainly at this point it is an addiction. The contests give him something to do while caring for my mother. He was once an avid reader but that has been replaced by sweepstakes.

I have read through statements from Ms. Collins, Mr. Levin, and Mr. Durbin regarding the Deceptive Mail Prevention and Enforcement Improvement Act (S. 336) and The Deceptive Games of Chance Mailings Elimination Act of 1999 (S. 335). I am here today to lend support for those bills. I am not naive enough to think that these operations can be completely stopped by these bills, but the proposals provide exactly the kinds of controls and protections that I hope can be established. Some say here goes government meddling. I am both thankful and grateful for your efforts. This concludes my testimony.

PREPARED STATEMENT OF J. JOSEPH CURRAN, JR., ATTORNEY GENERAL,
STATE OF MARYLAND

Thank you for the opportunity to speak to you about an issue that affects all Americans but is, I believe, of most critical importance to senior citizens. Direct mailings, and sweepstakes specifically, have become a multibillion dollar business, with a reach into virtually every home in this country. While many direct mail outfits are legitimate businesses, there is a persistent and growing segment of this industry which uses deceptive, misleading and illegal methods to bilk our most vulnerable out of their hard-earned money. These sweepstakes solicitors are experts at making people think the unthinkable and believe the unbelievable. In short, they are masters of delusion. These practices must be stopped, and I commend Senator Collins and this Subcommittee for holding hearings to address the problem.

First, the size and reach of the sweepstakes industry, and thus the scope of this problem, is enormous. While this may seem an obvious point, it is actually difficult to ascertain exactly how large the industry has become, and many of the large companies will not release revenue figures or mailing results. We do know that nearly one-third of all new magazine subscriptions are generated through sweepstakes, which makes them worth millions to publishers whose revenues from advertising are tied to circulation figures. A sweepstakes mailing for magazine subscriptions is four to five times more likely to produce an order than a simple direct mailing, without a prize or contest. Two of the largest companies send more than 400 million mailings into American households each year, and a successful sweepstakes mailing will generate subscription orders from at least 10 percent of the recipients. Thus, sweepstakes are powerful, effective tools of persuasion being used to reach millions of Americans each year.

I witnessed this first-hand when I instituted Maryland's first *Senior Sting* last year. The initiative was designed both to identify the organizations preying upon Marylanders for enforcement purposes, and to heighten consumer awareness of these scams. Five hundred senior citizens from all over the State collected their mail solicitations for a month, and the amount of mail they received was in itself indicative of the breadth of this problem. They collected over 10,000 pieces of mail, of which about 40–45 percent were sweepstakes. We believe that while roughly 10 percent of the mailings were actually fraudulent, a far greater percentage were deceptive, confusing, or misleading.

What do I mean by deceptive or misleading, in contrast to fraudulent or illegal? A fraudulent sweepstakes would, for example, solicit money from participants with no intention of ever awarding anyone a prize. An illegal sweepstakes might award prizes to one out of every 800 million entrants, but it would fail to disclose the chances of winning, require paying a fee or purchasing a product in order to participate, or violate other laws governing sweepstakes. These operations are clearly unacceptable, and we must do all we can to put them out of business.

There is a far greater segment of this industry, however, which complies with the letter of the laws governing sweepstakes, but utilizes unconscionably misleading and confusing tactics of persuasion. Some of these ploys are well-known to you, I am sure. For example, we found many sweepstakes during *Senior Sting* in which the envelope blared "You are a winner—a guaranteed winner of our \$100,000 grand prize!" in huge, bold letters. It would be only in the smallest possible type above this headline that the careful reader might notice the preceding sentence. "Return the Winning Prize Entry and we will announce" that you have won the \$100,000. It is, of course, likely that many readers will not even notice the caveat, particularly those with poor eyesight. Moreover, it is very confusing and could easily be understood to guarantee winning as long as the entry is returned, which is completely untrue.

There are countless other examples: the sweepstakes that does a better imitation of a government document than some government documents do; the "free" prize which turns out simply to be \$100 toward a \$600 stereo you must buy; the sweepstakes that claims you need not subscribe to any magazines in order to be eligible for the prize, but instructs you to send your entry to headquarters only if you do subscribe, and to send it to a post office box in Iowa if you do not. Indeed, sweepstakes companies employ the best marketing and promotion experts, copywriters and graphic artists to develop ever more enticing and effective pitches, all designed to make you believe you have won or will win if you just take one more little step—like mailing in your entry form along with a magazine subscription. And for far too many Americans, that "one more little step" ends up in heartbreak, with a lifetime of savings gone and nothing but humiliation to show for it.

Anyone can be vulnerable to these scams, but statistics show that the elderly fall victim most often. Estimates are that senior citizens represent over half of the peo-

ple on “mooch” lists, which are lists the industry compiles of past victims or people likely to respond to mailings. Experts in gerontology are conducting studies to understand better why the elderly are particularly vulnerable, but there are some theories which make sense. For example, senior citizens more often suffer from failing eyesight or other physical and mental disabilities which can impair their ability to distinguish between the legitimate and illegitimate mailing. They are often lonely, and thus more susceptible to the excitement offered by the sweepstakes and less able to consult with someone else about the advisability of responding to a mailing. They also sometimes have more disposable income than younger people; we are fairly certain, for example, that sweepstakes companies do not concentrate on college dormitories. Finally, older folks grew up in a different era, where people tended to be more trusting, had faith in things that looked official, and were less apt to risk being impolite by saying no, hanging up the phone, or throwing away their mail.

In sum, I believe this industry has gotten out of hand, and I am pleased that the Senate is taking a hard look, at the problem. State Attorneys General around the country are stepping up both enforcement and consumer education efforts in this arena. We are, for example, currently working with other States on several investigations of companies we identified through *Senior Sting*. I do believe the Federal protections offered by Senator Collins’ bill would be welcome additions to State laws and regulations. Along with Congressman Ben Cardin, I supported a similar bill last fall in the House, and I am pleased to see both the House and Senate taking steps to combat this insidious and widespread exploitation of some of our country’s most vulnerable citizens. Thank you very much for the opportunity to speak with you today, and I would be happy to answer any questions.

PREPARED STATEMENT OF VIRGINIA L. TIERNEY, MEMBER, BOARD OF DIRECTORS, AMERICAN ASSOCIATION OF RETIRED PERSONS

Madame Chair and Members of the Subcommittee:

My name is Virginia Tierney and I am a member of the Board of Directors of AARP. On behalf of AARP, thank you for inviting us here this morning to discuss the impact of deceptive mailings, including fraudulent sweepstakes, on older Americans. We will also comment on the importance of enacting legislation that will aid the U.S. Postal Service and law enforcement agencies’ efforts to deter these fraudulent practices throughout the country.

AARP is not here to condemn sweepstakes. We acknowledge that they appeal to some of our members and are the foundation of magazine publishers’ efforts to obtain subscriptions.

However, sweepstakes and other forms of deceptive mailings are a major concern to AARP because of the severe effects they have on our members, who are victimized in large numbers. AARP’s involvement in this issue is not new. In the past three years, we have launched campaigns against charity and telemarketing fraud based on research examining older victims’ behavior and perceptions, partnerships with enforcement and consumer protection agencies, and warnings to consumers through public service announcements, educational workshops and program activities. AARP’s research into telemarketing fraud and charitable solicitations, which are closely tied to direct mail fraud, has identified sweepstakes as a prime area of concern.

Sweepstakes were the No. 1 form of telemarketing consumer fraud reported to the National Consumer League’s National Fraud Information Center (NFIC) in 1995, 1996 and 1997. This ranking is based on the number of calls made to the NFIC, which handles 300 to 350 calls each weekday. In 1997, almost 13 thousand reports of suspected telemarketing fraud were made to the NFIC. Out of this total, close to 10 thousand people gave their age and over 40 percent of that group was over the age of 50. Based on these reports, the No. 1 scam was sweepstakes, with magazine sales ranking No. 5. That helps to tell the story statistically, but it doesn’t begin to take into account the personal anguish caused to individuals, and the friends and family associated with them. That is painfully evident from the testimony of the people seated with me here this morning.

AARP has taken extraordinary steps to educate our members and the public at large as to how to differentiate between legitimate offers and misleading, deceptive or fraudulent ones. Our goal is to reduce fraud and deception in telemarketing and mailed solicitations. As part of this mission, AARP has worked in tandem with the Attorney General’s office in my home State of Massachusetts, as we have with other State Attorneys General, to gather information and warn consumers about potential fraud.

Additionally, we were active participants in Operation Mailbox. Operation Mailbox was a coordinated effort undertaken with the Federal Trade Commission (FTC) and Federal and State law enforcement agencies to identify fraudulent mail.

In December, 1997 as a function of the AARP Anti-Telemarketing Fraud campaign, we placed an article in our monthly publication *The Bulletin*. The article asked members to check their own mail for cards and letters that looked suspicious or that carried claims that the recipient was a "guaranteed contest winner." We also requested that they watch for mail that offered "no risk" investments, get-rich-quick schemes, or solicitations for dubious charities as well as mail that alerted the recipient to immediately call a 1-800 or 1-900 number. We asked that such mailings be submitted to the Association. We told our members that law enforcement experts would be reviewing the mail for possible legal actions.

Throughout the next six months, AARP members submitted over 10,000 pieces of mail. Dozens of members sent envelopes and boxes stuffed with solicitations. Over and over our members asked the same questions; "Is this a legitimate solicitation?" and "Can you help me get the money I've won or help me get my money back?"

Subsequently, for more than three months AARP volunteers and staff opened, read and sorted the mail sent in by members. In cooperation with the FTC and Federal and State agencies, who formed the Operation Mailbox task force, AARP identified *more than 5,000* pieces of mail that might require legal action. An outside firm was hired to code the pieces under the system used in the Consumer Sentinel database. Consumer Sentinel data is used by subscribing law enforcement agencies to identify and investigate suspected fraudulent businesses or individuals.

Based in part on AARP's contribution of over 5,000 complaints, at no cost to law enforcement, the FTC/Operation Mailbox strike force announced over 150 Federal and State enforcement actions against the sponsors of these mailings in October of last year.

While Operation Mailbox was a tremendous success, we believed that more needed to be done to identify what drives people to participate in sweepstakes and to ascertain what their expectations might be. With that in mind we embarked on research in this area. AARP contracted for the services of Dr. William Arnold, an Arizona State University professor, and a recognized expert on this topic. While his research efforts on our behalf have not been completed, we would like to share some of the preliminary results with the Subcommittee this morning. A part of the research effort looks at the attitude of the consumer. Preliminary results in this area show that 40 percent of older Americans who receive sweepstakes solicitations, respond to them. Of those who respond by purchasing a product or service, the consumer who asks to be billed later is more likely to continue to participate in sweepstakes than is the person who pays in advance.

What is distressing, however, is the finding that 23 percent of those who participate in sweepstakes believe that purchasing something increases their chances of winning. Combine that figure with the 17 percent who feel that purchasing *might* increase their chances and you have fully 4 out of 10 participants who don't believe the statement, "No purchase necessary to win!" Finally, 87 percent of those interviewed for Dr. Arnold's study believe that the government *should* do something about deceptive mailings. As you can imagine, we look forward to the final results of Professor Arnold's study and will be happy to share those findings with the Subcommittee upon receipt.

The concern over the perception that a purchase might be necessary to win is one area that can and should be addressed by the companies that do the mailings, irrespective of what Congress does. Another more serious issue that AARP believes requires Congressional action regards the messages contained in the mailing devices. It is the use of "you have automatically won" type language in sweepstakes promotional materials. This language is at the core of the fraud and deception.

A sampling of letters from our members highlighting the ordeals they have gone through and the range of concerns they raise is instructive. Copies of several of these letters are attached. One woman asks that the large amount of money just awarded to her spouse, who has been dead for six years, be placed in his estate so that the family can enjoy it. While she states that she doesn't expect to see the money, she was clearly hurt by the solicitation and pleads, "this kind of nonsense must be stopped."

Two others, both homebound and coping with disabilities, simply ask, "Where is my money?" and "Please help me get it." Yet another has waited over a year for the promised \$100,000, but is equally agitated that she didn't receive her "guaranteed" \$250 for participating. In a similar vein, a member offers that the sweepstakes sponsor has made a series of promises to her over a two-year period, going so far as to schedule a special date for their appearance, only to disappoint.

As was mentioned earlier, this is a problem that often involves other family members as well. A daughter writes in regard to her independent 87-year-old father and raises a different set of concerns. She is uncomfortable intervening in her father's affairs, but does so because he recently canceled a trip to visit his only sister, stating that "it conflicted with the date he was to be in New York to collect his winnings." What is more alarming is the fact that he has taken \$13,000 out of his savings and spent \$11,000 between May and August on books and magazines. Our member asks, "Why would the company allow someone to purchase five copies of *Victor Borge Then and Now* or four copies of *Charlotte's Web* within a 90-day period?"

Finally, there is the story of a daughter-in-law attempting to settle the estate of her deceased father-in-law. She is in possession of 17 boxes of sweepstakes solicitations sent to her father-in-law. She can also verify that he spent over \$10,000 on magazine subscriptions. In light of what you have already heard, neither of these facts may be particularly surprising. What is astounding, however, is that the sweepstakes sponsor repeatedly renewed his subscriptions to "*Sports Illustrated*" and "*Newsweek*" through the year 2086! That's right, an 87-year subscription! While the sponsor assured her that his account balance was \$0, no one offered to refund the monies already received to extend the subscription nor have they agreed to do so upon her request. Unfortunately, these are but a few of the many examples of harm consumers have experienced from fraudulent and deceptive sweepstakes promotions—and reflect just a few of the letters AARP has received.

Obviously, something needs to be done. That is why we are pleased that this Subcommittee is taking action to aid consumers. We are especially glad that Senator Collins is addressing consumer concerns with sweepstakes by introducing S. 335, the "Deceptive Mail Prevention and Enforcement Act." AARP agrees with the 87 percent of respondents in Dr. Arnold's study who believe that the government needs to do something to deal with deceptive mail. While the legislation is not the focus of today's hearing, we will comment briefly on some of the provisions in S. 335 and offer suggestions on other areas that should be addressed by the Congress.

One of the most attractive provisions in S. 335 is the civil penalty provision. AARP has contended that the most direct means of eliminating fraud is to take the profit out of it. The stiff remunerative penalties, capping out at \$2 million, are truly a deterrent. We also applaud Sen. Collins for proposing to provide the Postal Inspection Service with the authority to stop deceptive mail. Finally, we support the definitions of nonmailable matter included in the bill. We believe that clarifying what message may be contained in a mailing and how it may be presented is of critical importance.

Also, we hope that the Subcommittee will, among other things, look at provisions that would couple claims and promises with disclaimers and clearly define games of skill and their risks and rewards. The latter provision would require "games of skill" operators to detail exactly how many levels a participant would have to achieve to win the grand prize, what the maximum cost would be to participate, and a timeframe within which the contest winner will be determined. Additionally, we urge the Subcommittee to address the concerns we have raised regarding consumers oversubscribing and the difficulty they encounter in recovering money paid for multiple-year subscriptions.

Again, I thank you for the opportunity to provide the Subcommittee with background and recommendations on this critical issue that impacts so many Americans—particularly older Americans—so severely. AARP stands ready to work with the Chair and Members of the Subcommittee to enact legislation that will significantly curtail the fraud and deception surrounding sweepstakes mailings.

I look forward to responding to your questions.

Need help.

I am an AARP member in good standing

I just received the enclosed documents — I thought all of this was now considered illegal. —

It says [REDACTED] has won \$833,337.00 — now if I was gullible I would believe this — I am not and I don't.

However do these people have a clue how upsetting this can be.

[REDACTED], my best friend and spouse for 40 years died Oct 31, 1991

— So help me tell this people to deposit this money into his estate — ~~so~~ so his family can enjoy what he has won after being dead over six years.

This kind of nonsense must be stopped — How many older people are taken advantage of?

I wish

Feel free to forward this to whoever can help stop this

Email [REDACTED]

[REDACTED]
3-19-98

AARP

RE: [REDACTED]

To whom it may concern.

My name is [REDACTED] Membership

#

I have been a member for a long time, and I have seen the results of your considerable power when you address a matter that affects the members of AARP. Being lied to and coming out of ^{the money} the elderly and vulnerable, such as for the most part are on a fixed income, and have no other recourse than our members to champion our cause, we are left to our own means to right a wrong. I am sure you are aware of the way we were led to believe we had a choice

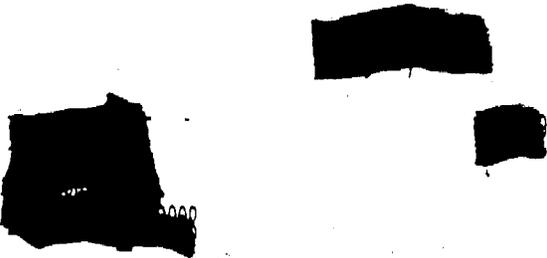
(2)

althow very slim, to win something to help live out our lives in something less than Budget and not enough money to cover insurance and every-day living expenses.

I am 67 years old, handicapped and broke. I am in Bad health and still have to work to buy medicine and Dr. Bills. more often than not by the end of the month, it is a choice if I buy medicine or food.

I have complete documentary proof that I should have been the Winner copies that I am sending with this letter. I hope and pray there is something that the power of our membership can help me and others in the same situation.

thank you in advance



Gentlemen

I am 100% disabled VETERAN OF THE AMERICAN CIVIL WAR.
 PLEASE EXCUSE MY TYPOGRAPHY done better with my computer.
 I HAVE WON MILLIONS OF DOLLARS IN [REDACTED] contest, BUT
 TO DATE, have not received one dime of those millions.
 I have also millions in other offers without receiving
 even one dollar. In this matter, along there is an offer to buy
 [REDACTED] at a bargain price.

LADIES AND GENTS I HOPE THAT YOU CAN HIT THESE PEOPLE HARD
 WITH HEAVY FINES OR PUT THEM OUT OF BUSINESS.

Thanks for your attention,

NOTE: COPY OF OFFER ENCLOSED



GRAND PRIZE ELIGIBILITY NOTICE

Deliver to: [Redacted] DYV Prize Claim #: UW0Y5QH14

If you have and return the Grand Prize winning entry in time, we will officially announce that:

OUR SWEEPSTAKES RESULTS ARE NOW FINAL:
[Redacted] HAS WON
A CASH PRIZE OF \$833,337.00!

Dear [Redacted]:

You probably thought it could never happen to you! And even now, you probably STILL find it hard to believe that [Redacted] of [Redacted] could actually be our \$833,337.00 cash prize winner. But it's absolutely true: [Redacted] is now positively guaranteed to be awarded \$833,337.00 -- the biggest single cash payment ever made to ANYONE in a sweepstakes presented by SPORTS ILLUSTRATED -- if you have and return the grand prize winning entry in time! In fact, the funds have been put on reserve for the express purpose of paying the entire \$833,337.00 amount in full. And now that we've been authorized to pay the prize money, the very next time you hear from us, it could well be to inform you that

Can you advise them send it?

A BANK CHECK FOR \$833,337.00 IS ON ITS WAY TO [Redacted]

So you'd be wise to put any doubts aside, and follow these simple instructions: Affix the Grand Prize Validation Seal to the official entry certificate. Then mail it in one of the official sweepstakes envelopes enclosed. That's all we ask of you, and the cash could be yours. Just how much money are we talking about?

Let's say you put the entire \$833,337.00 in a bank and receive only 5% annual interest on the money. You'd still enjoy a guaranteed income of almost \$41,667.00 a year -- without even touching your original deposit! There's no denying it, \$833,337.00 is enough money to put [Redacted] on the sunny side of the street for the rest of your life. That's why it's so important for you to validate the official entry certificate and return it to us as soon as you possibly can. Because there's no way you can be paid the \$833,337.00 if you fail to return an entry. Truth is, if you hold the grand prize winning number,

YOU'LL FORFEIT THE \$833,337.00 IF YOU FAIL TO RESPOND TO THIS NOTICE!

And then, the Grand Prize that should have gone to [Redacted] will have to go to an ALTERNATE winner! Because the money is unconditionally guaranteed to be awarded whether we hear from you or not! So be absolutely certain to validate and return your entry as instructed. And I'd advise you to do so immediately for a very important reason:

[REDACTED]

February 23, 1998

[REDACTED]

Dear Prize Coordinator,

On January 9, 1997 I received an envelope in the mail with this letter enclosed. I followed all the instructions, filled everything out and mailed it back to you on January 10, 1997.

As you can see by the copy of the letter I have enclosed I am a guaranteed winner. I'm sorry I didn't make a copy of what I sent back to you. I did write on my letter; as you can see; that January 15, 1998 I would get my check for at least \$100,000.00 and by no later than 30 days later. As of today I have received nothing. Also I had a color - coded address label, which must of made me one of the maximum TEN (10) recipients. I returned this label as instructed and I have not received my \$250.00 for that yet either.

I have given you more than ample time to get my check or checks to me. I want to know where my money is (\$100,250.00)? I will give you until March 10, 1998 to explain to me why I have not recieved any money. If I have not heard from you by March 10, 1998, I will send a copy of this letter and my First prize Notification letter to My State Attorney General, AARP and Janet Reno. I know they are checking into sweepstakes and prizes. I feel they will get to the bottom of this for me.

I hope you will check into this matter.

Thank you,

[REDACTED]

[REDACTED]

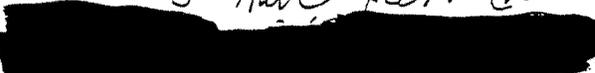
RECEIVED

Dear Miss Dixon,

May I have a listing
 of all the fraud people I hear
 from in the mail? I've been able
 to get rid of those who request
 money & do not send money in
 the mail.

I still get lots of junk
 mail & would like to eliminate
 those that are considered in fraud.

I have been dealing with

 And you
 have stacks of magazines and
 love to read. Over the past 2 years
 they made promises, set a
 special date & never showed up.
 They have sent me 3 pieces of
 jewelry & recently promised a set
 of ~~leisure~~ wear. Now I get a letter
 saying that it's all true - that
 after stalling me the whole year
 that I'm the winner.

October 14, 1997

Dear Sir or Madam:

Your Customer Service Department has forwarded this letter to you at my specific request, because I want it to be read by the highest level of management I can reach. It expresses my deep concern with some of your current subscription marketing strategies and policies. Please allow me to describe a situation for you.

My father, [REDACTED] is 87 years old and is blind in one eye. He is relatively healthy and quite alert for his age, very proud, and fiercely independent. For these reasons, my sister and I have tried to let him manage his own affairs for as long as he seems able.

[REDACTED] has been a trusted name in our household for some time; our family has purchased a number of publications over the years. More recently, however, it has become evident that my father is totally consumed with winning your various sweepstakes. In fact, he was so convinced he was going to win last year that he canceled a trip to visit his only sister because it conflicted with the date he would have to be in New York to pick up his winnings. When he didn't win (as he felt the letter had promised he would), we thought he might be a bit wiser for the experience. Unfortunately, we are learning (belatedly) that it just increased his addiction. He seems to feel that if he makes a larger "down payment" in the form of more purchases before the next drawing, he will win.

He does very little reading now because of his partial blindness, watches minimal TV, and does not own a VCR. Yet he is buying countless video tapes and publications from you that he cannot use.

In the beginning, we were not overly concerned, because he seemed to enjoy giving his purchases to friends and relatives. We felt that if it gave him pleasure, it was OK to spend his Social Security any way he pleased. However, we recently discovered that since April he has drawn approximately \$13,000 out of his life savings to cover several checks to [REDACTED].

Unfortunately, my sister and I have now had to intercede. I recently worked with your Customer Service Division to cancel all future mailings and tag his accounts (all three) so that no more orders will be accepted. A refund check for a small portion of the unneeded material has been received. Although your representative was helpful, that does not negate the questions that arise from this situation.

Why did not some sort of alarm go off in your system that might trigger something like an inquiry letter, e.g., "Mr. Murphy, did you really mean to order four copies of

Charlotte's Web? Or five copies of *Victor Borge Then and Now?*" All of these were ordered within a three month period.

The transaction records which I requested and received indicate that my father spent over \$11,000 with you from May 8 through August 21 of this year. Is there nothing in your system that would cause someone to look at this and wonder if it is accurate? Each customer service representative to whom I spoke indicated that this was an inordinate amount of activity – yet nothing was ever done to investigate these accounts.

Research has shown that when people of limited means get older, they fear running out of money more than anything else. In my father's particular logic, he sees winning the sweepstakes as the easy solution. He is not a wealthy man, and these withdrawals have put a sizable dent in his nest egg. These are the funds meant to see him through the rest of his life.

In hindsight, it is obvious that my sister and I should have become involved in our father's finances sooner; our efforts to let him maintain his independence led us to play a passive role. The unfortunate thing is that he is competent in all other respects. I believe that he – like many other elderly people – has fallen prey to the speculative "promises" made in the sweepstakes literature from your company and others. While I'm sure your legal department has cleared everything that the marketing department develops, I do think there should be some morally higher ground when it comes to targeting senior citizens.

Even though it is mentioned that no purchase is necessary to enter (and win) the sweepstakes, my father states emphatically that "Everybody knows that you have to buy something in order to win." He also defends his purchases by saying, "I have to keep buying -- I've reached the next level!" From what I understand, **anyone** who correctly fills out and returns the entry (with or without a purchase) reaches the "next level," but he remains unconvinced.

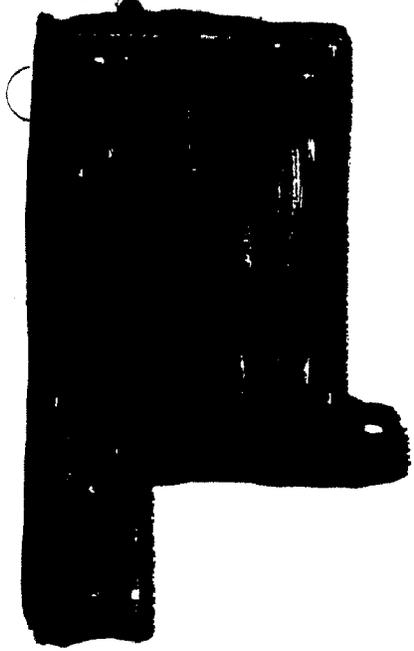
Considering the vulnerability of senior citizens in general, and especially those who are less sophisticated or whose reasoning capacities are diminishing, I believe more should be done to clarify your solicitations. For example:

- The odds of winning (or not winning) should be prominently placed and in larger type.
- Language should not imply that one has already won (or is very close to winning). Attaching a small disclaimer after such a statement has little effect on those people who want to believe that they will win.
- It should be **emphasized** in prominently placed type that it is absolutely not necessary to purchase anything to win.

This whole situation has so tarnished my image of the [REDACTED] as a trusted vendor and friend to America's families that I will never again purchase anything remotely connected to your publications. While your stockholders may be pleased with their earnings results, my father has been made thousands of dollars poorer by chasing one chance in several million for financial security in his old age.

I would like a response from a company officer, just to verify that this letter was read by someone in a position to act on some of these concerns. I do NOT expect to receive a form letter or something from a customer service representative. I would hope that as the recipient of this letter you will do a little research into my father's accounts, so that you can see the fiscal extent of his belief in you. The Customer Service Department has sent me a copy of recent transactions, but surely there is some way that you can determine the amount of money he has sent to you over the last five years, at least. I would like to know that figure. I hope to hear from you soon. Additionally, I do not want my father to be involved in any correspondence at this point.

Sincerely



PREPARED STATEMENT OF NAOMI BERNSTEIN, VICE PRESIDENT OF
MARKETING SERVICES, AMERICAN FAMILY ENTERPRISES

Madam Chairman, I am pleased to appear before the Subcommittee today to discuss the promotional use of sweepstakes in the sale of magazines and other products through direct marketing. My name is Naomi Bernstein and I am the Vice President of Marketing Services for American Family Enterprises, one of the leading subscription sales companies. At AFE, my responsibilities include the administration of marketing systems and database operations. Before joining AFE 2 years ago, I spent more than 25 years at *Reader's Digest* where I was a senior executive in both the marketing systems and data administration areas.

I am proud to have spent my career in the publishing industry, Madam Chairman, and I hope that my testimony will help the Subcommittee better understand the role that legitimate sweepstakes contests have traditionally played in the publishing industry.

American Family Enterprises, then known as American Family Publishers, was founded in 1977 by a consortium of four major magazine publishing companies who sought to increase subscription sales for the magazines they published. The founding publishers believed, correctly, that it would prove to be more economical to offer to a mass consumer audience a broad variety of magazines than to try to identify and target potential readers for individual magazine titles through the mail. They further believed, correctly, that subscribers who chose to purchase a magazine from among many choices offered on a magazine stampsheet would prove to be just as committed to the magazine and therefore just as likely to renew from the publisher as those who subscribed to magazines through direct-from-publisher channels. And, indeed, for more than 20 years, AFE, along with others, has provided magazine publishers with many millions of new readers who contribute significantly to the flourishing magazine industry that exists in the United States today. According to the *New York Times*, sweepstakes solicitations account for roughly one-third of new subscriptions. Without the subscriptions that AFE and its competitors provide, it is likely that many publishers would be unable to sustain their circulation levels, which would pose a serious threat to the continued financial viability of many magazines.

Sweepstakes are commonplace throughout the business world today. Coca-Cola, McDonald's and other household names use sweepstakes to promote their products. In the magazine industry, sweepstakes have long been associated with subscription sales by both single and multi-title publishers. The reason is straightforward. Magazine subscriptions are a discretionary purchase. As in industries with similar marketing dynamics—from nonprofit fundraising by groups like the American Lung Association to the President's Day warehouse sale—they require attention-getting marketing. Sweepstakes contests serve specifically to attract attention to mailings amidst an extremely cluttered mailbox, to generate excitement in the possibility of winning and to raise interest in the product or cause being promoted.

AMERICAN FAMILY ENTERPRISES

As you can see Madam Chairman, sweepstakes have played a major role in the viability of the publishing industry. American Family Enterprises is one of many companies that use this marketing tool. Since its founding in 1977, AFE has used sweepstakes to promote more than 300 different magazine titles as well as a limited selection of books and other merchandise.

AFE's sweepstakes are judged by an independent organization. Since 1977, AFE has awarded more than 300,000 prizes, including \$92 million in cash and merchandise prizes. Every prize offered in our promotion is awarded.

AFE believes, and the data discussed below confirm, that virtually all individuals who purchase subscriptions through AFE's mailings do so because we provide them with a low-cost and convenient way to buy one of the broadest selections of magazines for sale in the United States today. Consumers buy these magazines because they wish to read them on a regular basis—not because they feel they must buy in order to win our sweepstakes.

AFE is a true mass marketer, mailing hundreds of millions of individual pieces of U.S. mail each year. In fact, if you have a mailbox, it is likely that you have received one of our mailings. People of all ages, incomes, and geographic locations receive the same mailings from AFE.

Madam Chairman, AFE does not target any demographic groups nor do we collect demographic information from our respondents. We have never sent out a mailing directed at senior citizens, or any other demographic group.

In fact, people of all ages and interests subscribe to AFE's magazines, and people order all different kinds of magazines. Through our stamp sheets, AFE often mar-

kets in a single mailing more than 100 subscription offers, including magazines ranging from *Sesame Street* and *Teen* to *Rolling Stone*, *Parenting*, and *Fortune*. The same stamp sheet—offering that broad array of magazine choices—is sent to all customers. American Family’s goal is to reach consumers with as wide a range of ages, income levels, and interests as possible. As a result, AFE’s “target market” is simply every American who reads magazines or who may purchase magazines by mail—in other words, nearly every reading American household.

AFE is primarily in the business of selling magazine subscriptions. In order to encourage consumers to open our mail packages, AFE uses a sweepstakes prize as the primary focus of each of its mailings. Once opened, AFE hopes a customer will choose to order from among the wide variety of magazines offered at low prices and available to them in the convenience of their home. The point of our mailings is not to convince people they’ve won a sweepstakes, but rather to be excited about the possibility of winning and to consider our products. The vast majority of people who receive our mailings understand them and do not believe either that they have won or they must order to win.

As the data we have provided to the Subcommittee demonstrates, more than four out of five of all recipients of our mail do not respond at all. Of those who do respond, more than half enter the sweepstakes without ordering—plainly indicating their understanding that no purchase is necessary. Of those who choose to order, most have entered an AFE sweepstakes previously without ordering—again indicating they understand that in AFE’s sweepstakes promotions, no purchase is necessary to enter or win.

This response behavior supports our belief that the overwhelming number of people ordering from AFE are buying magazines they want to read, such as *TV Guide*, *Ladies Home Journal*, *Time*, *People*, and *Better Homes and Gardens*, to name a few of our popular selections.

In addition to the sweepstakes entry and official rules, which explain in detail how the sweepstakes works, each AFE mailing contains an order form for subscriptions to magazines. AFE offers these magazine subscriptions at the lowest authorized prices available to the general public.

Our mailings are not designed to, and do not, induce consumers to buy an inappropriate number of magazines. An analysis of our customers’ buying habits demonstrates that the overwhelming majority of our customers are not spending excessive amounts with AFE. In fact, among our customers who make a purchase, the average annual amount spent on magazines is \$40. We estimate that more than 9 in 10 customers spend less than \$100 a year with AFE. Only 2 percent of those who place orders spend more than \$200 annually. We estimate that in 1997 fewer than 3,000 people and in 1998 fewer than 750 people spent more than \$1,000 with AFE. To put these numbers in context, a household would reach the \$100 spending level simply by ordering through AFE the equivalent of an annual subscription to *People* magazine. By adding *TV Guide*, *Newsweek* and *Sports Illustrated* to the list, the annual subscription charges through AFE would easily exceed \$200 or roughly the annual cost of a daily newspaper.

In several places throughout each mailing, AFE reminds recipients that no purchase is ever necessary to win a sweepstakes prize. Instructions for entering without purchasing are clearly placed in more than one location. Therefore, it is not surprising that most people who enter AFE’s sweepstakes do not enclose an order for a magazine. This response pattern indicates that AFE’s customers generally understand that no purchase is necessary to enter AFE’s sweepstakes, and that the process to do so is clear. Indeed, a significant majority of winners of AFE’s sweepstakes have submitted winning entries without placing orders. In fact, 11 of 17 Grand Prize winners, including our two most recent winners—John David Gryder (Texas) and Leavitt Baker (Maine)—submitted their winning entries without an order.

NEW STANDARDS FOR THE INDUSTRY STRENGTHENED COMMITMENT TO CONSUMERS

While it is clear that the vast majority of our customers understand and enjoy participating in our sweepstakes promotions, it became evident in 1998 that a very small minority of consumers may have disregarded, been mistaken or somehow been confused about our sweepstakes rules and procedures.

In order to address this issue, I, along with other members of AFE’s new management team, initiated a comprehensive re-evaluation of AFE’s marketing and promotional methods. During this process, our efforts were guided by the following three goals:

- (1) To bolster consumers’ faith that AFE sweepstakes are legitimate, truthful and fair;

(2) To better identify and respond to the small number of consumers whose response behavior may indicate confusion about AFE sweepstakes mailings;

(3) To continue AFE's tradition of marketing its products in a manner that continues to be fun and engaging for the consumer.

As part of this process, AFE listened and responded to the suggestions and concerns of consumer advocates both within and outside the government. We were also mindful of the concerns that you, Madam Chairman, as well as the Ranking Minority Member of the Subcommittee, Senator Levin, and others have raised regarding the conduct of sweepstakes promotions.

SIGNIFICANT CHANGES BY AFE

The success of our business depends entirely on consumer confidence. We have every interest and incentive in consistently delivering value and service to our customers. Based upon our re-evaluation, AFE has implemented a number of important changes to our sweepstakes promotions. These changes include:

(1) Clearly disclosing, in numeric form, in AFE's Official Rules, the odds of winning each prize.

(2) Reminding all mail recipients repeatedly that no purchase is necessary to enter the sweepstakes.

(3) Including in all mailings a prominent statement of the "American Family Promise," which states that:

—The magazine prices that AFE offers are always equal to the lowest available to the general public.

—All sweepstakes prizes are awarded.

—No purchase is ever required to enter.

—All entries have an equal chance to win.

—Subscriptions can be canceled at any time and money will be refunded for all unserved issues.

—Products can be returned for a refund if unsatisfactory for any reason.

(4) Directing that all sweepstakes entries, whether with orders or without, be returned to the same city, reinforcing the message that all entries are, in fact, treated equally.

(5) Establishing a website (www.americanfamily.com) to, among other things, answer consumers' most frequently asked questions, reiterate the sweepstakes rules and publish the American Family Promise.

(6) Avoiding the use of language referring to the recipient as a member of a "small group" with an improved chance of winning the sweepstakes prize. This includes language stating that a recipient is a "finalist" or "tied" to win a prize.

AFE also has instituted a pilot program to try to identify and protect potentially vulnerable sweepstakes consumers. By this we mean individuals who are purchasing an unusually large number of magazine subscriptions. While this might simply represent an appropriate choice for that person, we recognize that it may also indicate that someone incorrectly believes that they must order a magazine to enter the sweepstakes. This group of frequent purchasers appears to represent less than 1/2 of 1 percent of AFE's customers. As part of this program, beginning in the spring of 1998, AFE began sending a "no purchase necessary" reminder letter to individuals whose ordering patterns suggested that they might not understand AFE's sweepstakes procedures. This letter generally states that all entries, including those without an order, have an equal chance to win, and specifically reiterates that no purchase is ever necessary to enter or win.

As part of the program, AFE has elected not to mail certain customers for whom the no purchase necessary letter may not be enough. Although the program is in its initial stages and is under on-going review, AFE has chosen to stop mailing to approximately 25,000 people. This means that these customers will no longer receive sweepstakes solicitations from AFE. The Company has also been working diligently with the Direct Marketing Association to develop "best practices" recommendations on the issue of protecting the vulnerable.

AFE also blocks certain customers from making future orders, including those who have been identified to AFE as being incapable of making rational purchasing decisions. AFE also maintains a much larger list of consumers who have asked AFE not to send them promotional mailings or who have been identified to the Company by others as not interested in receiving such mail.

AFE's goal is to offer magazines and products that people want to purchase and use and to guarantee customer satisfaction. Accordingly, AFE's policy is to offer refunds on a "no questions asked" basis for all unserved magazine issues or returned merchandise. This refund policy is prominently featured in all of AFE's mailings. In addition, customer representatives have authority to go further in appropriate

circumstances in order to handle customer concerns in a compassionate manner. AFE is committed to excellent customer service.

These actions and others are a central focus of AFE's strengthened commitment to consumers. Consumer confidence and customer satisfaction are AFE's highest priorities.

PROPOSED FEDERAL LEGISLATION

As I mentioned earlier, Madam Chairman, AFE is well aware of the strong interest that you, Senator Levin, and other Senators have in this issue. We have preliminarily reviewed the legislation that you introduced earlier this year and believe that it contains provisions that would help ensure that sweepstakes promotions are used in a responsible way and by reputable companies. Furthermore, AFE believes that your bill as well as the legislation introduced by Senator Levin will help weed out fraudulent operators and set higher standards for legitimate users of sweepstakes. AFE takes very seriously the concerns that this Subcommittee has raised and we have already adopted many provisions contained in your two bills. For example, AFE's mailings contain several reminders that no purchase is ever necessary to participate in our sweepstakes. In addition, AFE discloses the odds of winning each sweepstakes prize that it awards as would be required by the legislation. In these instances, and many others, AFE not only supports the substance of your legislative proposals but has already implemented many of them in connection with its promotions.

While AFE does have concerns about the specific wording of some provisions, as well as concerns about some of the procedural aspects of both bills, we would like to work with you, Senator Levin, and your staffs to see whether these concerns might be addressed as these proposals move through the legislative process. Indeed, we look forward to working with you to develop comprehensive standards for the entire industry.

CONCLUSION

I think it is clear that the vast majority of the individuals who receive our mailings understand our sweepstakes promotions. Generally, if they choose to order our products, they do so because they want to—not because they believe they have to in order to win our sweepstakes. However, with respect to the very small minority of individuals who may not understand our sweepstakes promotions, we stand ready to work with the Subcommittee and other governmental and industry representatives to develop appropriate safeguards.

Madam Chairman, that concludes my statement. We appreciate the opportunity to provide testimony at today's hearing. I would be pleased to answer any questions that you or other Members of the Subcommittee have at this time.

PREPARED STATEMENT OF DEBORAH J. HOLLAND, SENIOR VICE PRESIDENT OF PUBLISHERS CLEARING HOUSE

Thank You, Chairwoman Collins, Senator Levin and other Members of the Subcommittee for the opportunity to be here today.

We at Publishers Clearing House are proud of our company, and the many magazines and products we offer our customers. We are proud of our mailings and our sweepstakes. We are proud of our many proactive consumer education and protection programs, and believe that we have behaved ethically and honorably in dealing with our customers and the general public. Specifically,

1. We believe that our promotions are clear and that no reasonable person could be misled by them.
2. Publishers Clearing House promotions have been tested in the courts, and in each instance have been found to be lawful and not misleading.
3. Publishers Clearing House is a leader in the direct marketing field, and has numerous innovative and effective programs in place to educate and assist consumers with direct marketing questions and problems.
4. Publishers Clearing House does not unfairly target the elderly or any other population group.

We support a three-pronged program to address the concerns raised by the Subcommittee, consisting of:

1. Federal legislation that would provide business with clear objective standards for sweepstakes mailings.
2. A comprehensive program of consumer education and protection, arising from a public-private partnership between government and industry self regulatory organizations.

3. Innovative and effective outreach and protection programs for those consumers who, for whatever reason, are not able to understand sweepstakes promotions, including suppression programs to get them off of active sweepstakes promotion mailing lists.

Introduction to Publishers Clearing House

Publishers Clearing House is a direct marketer of magazine subscriptions and consumer products that employs a free by-mail promotional sweepstakes to draw attention to its mailings and offers. Our mailings are disseminated to consumers throughout the United States and Canada and our product offerings include, in addition to magazine subscription offers, home entertainment products (principally books, audio and video), housewares, horticultural products, gift foods, collectible figurines, coins, jewelry, sports memorabilia, stationery, household cleaning products and other consumer goods and services.

Publishers Clearing House was established in 1953 to provide a cooperative or "car pool" for by-mail magazine subscription solicitations, allowing offers for many titles to be carried in a single mailing envelope rather than in many separate mailings by each publisher and title. We guarantee the best deal on magazines authorized by publishers for new subscriptions offered to the general public and, as a valuable source of new subscribers to the over 350 magazines we serve, Publishers Clearing House provides a steady flow of new readers to the foremost publishers in the United States and Canada. Additional product categories were added over the years, and we now offer consumers over 3,200 active items—comparable to the stock of an average department store in similar merchandise categories, or to the offerings in over 40 separate catalogs—in a wide variety of categories that appeal to every age group.

The promotional sweepstakes was adopted by Publishers Clearing House in 1967 as a way to draw attention to its mailings and offers. Since then, over \$135 million in prizes have been awarded by Publishers Clearing House to thousands of winners all over the United States and Canada. No purchase is ever necessary to enter and win a Publishers Clearing House sweepstakes. Of the 29 people who have won a prize of \$1 million or more, 22 won with an entry that was not accompanied by an order.

Publishers Clearing House was founded in Port Washington by Harold and LuEsther Mertz and their daughter Joyce, all of whom are now deceased. The limited partnership interests in Publishers Clearing House are held by or for the benefit of members of their families and charitable trusts and organizations that are the beneficiaries of their philanthropic generosity. Currently, over 40 percent of Publishers Clearing House's profits go directly to benefit charities and charitable interests.

Publishers Clearing House employs over 900 people full-time. Publishers Clearing House's principal place of business is located at 382 Channel Drive, Port Washington, New York 11050. It maintains additional offices and production facilities at 101 Winners Circle, Port Washington, New York 11050 and at 6901 Jericho Turnpike, Syosset, New York 11791.

Publishers Clearing House Solicitation Mailings

Publishers Clearing House mails solicitation materials with magazine and product offers that include an invitation to enter our free by-mail promotional sweepstakes many times throughout the year to a wide variety of people across the United States. Mail volumes range from the 100's of thousands to many millions. Typically, more than 70 percent of those persons receiving a package do not respond at all to a Publishers Clearing House mailing. Of those that choose to respond, the number of persons who enter without an order is equal to 2, 3 or even 4 times as many as the number who order, and (on average) about 65 percent of the responses to a mailing are non-order entries.

Through its promotional mailings, Publishers Clearing House offers consumers in addition to magazine subscriptions a wide range of attractive home entertainment products (principally book, audio and video product), housewares, horticultural product, gift foods, collectibles, coins, sports memorabilia, jewelry, stationery, household cleaning products and other consumer goods and services.

Almost 83 percent of the people who ordered anything from us in 1997 ordered less than \$100 worth of magazines and products, and 95 percent ordered less than \$300, based on information on our billing file as of 1997 year-end. Given the wide range of magazines and products available through Publishers Clearing House mailings, these levels are not unreasonable or inherently suspicious. From this we calculate that the average individual annual order total in 1997 from Publishers Clearing House promotional mailings including sweepstakes entry opportunities was approximately \$91.37.

Longstanding promotional principles govern the presentation of our sweepstakes and product offerings in our promotional mailings:

- All material terms of the offer are clearly set forth in the mailing, in the context of an interesting and engaging creative presentation.
- Clear “no purchase necessary” messages always appear on the entry-order form included in each and every mailing—always on the back and now routinely on the front as well.
- Each and every mailing contains a complete set of Official Rules for the giveaways presented in the mailing, including clear instructions on how to enter without ordering.
- The Official Rules included in every mailing inform consumers that they can enter current ongoing sweepstakes as often as they like simply by writing to Publishers Clearing House and invite consumers to write if they want to receive our mailings.
- Our mailings prominently identify Publishers Clearing House as the source of the mailing and provide an address to which interested persons can write for additional information.
- We guarantee that you will not find a better new subscriber deal offered to the general public on any magazine you order from Publishers Clearing House.
- We offer a “Free Inspection Privilege” on everything we sell. Customers may examine their purchases at home with 100 percent satisfaction guaranteed. Customers may cancel any order and receive a full refund, no questions asked.
- “Free credit.” Customers are never required to send money with their orders, and all orders are billed later. There is never any interest charge on current accounts.

The Publishers Clearing House Sweepstakes

The “Publishers Clearing House Sweepstakes” is an umbrella term for many sweepstakes or “giveaways” that operate continually and on a staggered schedule throughout the year. Publishers Clearing House extends to consumers an invitation to enter the Publishers Clearing House sweepstakes in all or virtually all of its solicitation mailings. Over \$135 million in prizes have been awarded by Publishers Clearing House to thousands of winners all over the United States and Canada. No purchase is ever necessary to enter and win a Publishers Clearing House sweepstakes.

Typically, one giveaway promotes a \$10 million SuperPrize to be awarded in January, while a different one promotes a \$1 million SuperPrize to be awarded mid-year. Other giveaways might offer a single \$100,000 cash prize or a multitude of different cash and merchandise prizes. Customer research has led us to introduce contests with a wide range of smaller prizes, such as \$1.00 or fashion jewelry, allowing many more contest participants to win. The size and variety of a year’s giveaways are decided seasonally in concert with other marketing plans.

Sweepstakes winners are chosen by various random selection methodologies, such as random drawings or matching winning numbers, at giveaway end. Winner selection processes are such that the laws of chance are applied fairly, and the placing of an order with an entry has no impact whatsoever on the chances of winning.

Publishers Clearing House observes all Federal and State laws and regulations and its contests are registered and bonded where required. All registered prizes are awarded in accordance with the published rules. Contest procedures are overseen by Giveaway Supervisors and a team of auditors from the international firm of Pannell Kerr Forster based in New York.

Prizes of \$10,000 are delivered by the company’s “Prize Patrol,” which makes unannounced visits and surprise awards at the winner’s doorstep. Each year, giant prize certificates, flowers, balloons and champagne are presented to some thirty major winners whose stunned reactions are seen by millions through the company’s TV commercials. Winners need not be home to receive their prizes.

“Good as Gold” Awards

In recent years, Publishers Clearing House has recognized other “winners,” specifically unsung heroes across America who render outstanding service to their communities. Ten deserving individuals are selected annually by an impartial panel from among nominees submitted by the media to receive our “*Good As Gold Award*.” Each honoree is surprised in the Publishers Clearing House tradition, with an unannounced visit from the Prize Patrol, plus a crystal and gold trophy and \$10,000 in cash.

Who Gets Publisher Clearing House Solicitation Mailings?

We select names to receive mailings from our own records on the basis of transactional characteristics that are deemed to be reliable predictors of whether or not a person will be sufficiently interested in the offer to order from the mailing and pay for his or her purchases. The most reliable predictors (for Publishers Clearing House as for the direct marketing industry as a whole) are those applied in the "Recency-Frequency-Monetary Value" (or "RFM") analysis traditionally used by industry participants for this purpose. This analysis depends on order recency ("R"), order frequency ("F") and cumulative sales or monetary value ("M") for the person. In other words, we act on the assumption that those customers who have ordered most recently, order more frequently and are long-time customers with significant cumulative order histories have most consistently demonstrated interest in our offers and are therefore more likely to order again than persons who do not share these characteristics. Product line associations or "affinity" can also be important (for example, persons who have recently purchased a collectible coin are more likely to buy from another coin promotion than persons who have not). Using "RFM" and product line affinity information in name selection are common direct marketing industry practices.

We rent mailing lists from established businesses in order to secure the names and addresses of potential new customers to whom Publishers Clearing House's prospect mailings may be sent in its new business program. The selection of outside mailing lists is based on an historical analysis of similar lists in past Publishers Clearing House mailings, and are not skewed to any particular demographic group. Those lists that have the best results for Publishers Clearing House are typically those that show some very recent direct mail activity (e.g., bought from a recent catalog) or affinity for a Publishers Clearing House magazine or product offering (e.g., subscribers to a particular magazine or buyers of a certain category of products) by the persons whose names appear on the lists. This is a standard practice in the direct marketing industry.

Moreover, interested consumers are invited to write to us to receive our bulletins, and many do. The Official Rules in each and every one of our solicitation mailings contains an invitation to consumers to write to us for future sweepstakes entry opportunities, and those who do write are for a year sent every magazine mailing we mail and many merchandise mailings as well. At the same time, consumers may also write to receive fewer mailings, should they so desire, and all such requests are honored.

Publishers Clearing House Does Not Unfairly Target Seniors

Publishers Clearing House does not direct its promotional mailing program to any particular age group, and the many different magazines and products offered by Publishers Clearing House appeal to a broad spectrum of people. While some magazines and products offered by Publishers Clearing House in its promotional mailings no doubt appeal to senior citizens, the same products are likely to appeal as well to persons in other age groups and Publishers Clearing House offers magazines and products in its mailings that are expected to appeal to all age groups.

The Publishers Clearing House mailing program is not conducted on the basis of the selection of persons to receive its promotional mailings by age. Indeed, Publishers Clearing House does not maintain comprehensive information on its customer files concerning the age of its customers, and does not acquire or use age information for commercial purposes.

While Publishers Clearing House does not generally maintain age information on its customers, the limited amount of market research available suggests that 70 percent of Publishers Clearing House's customers are under the age of 65.

Consumer Privacy

We respect the confidentiality of our relationship with customers. We do not rent our customer list to others, and we will honor any person's request to be removed from our active mailing list.

Publishers Clearing House participates in the Direct Marketing Association's "Mail Preference Service" (MPS) which provides us with a list of consumers who have informed the DMA that they want their names removed before outside direct mail lists are used. Publishers Clearing House honors all such requests.

Consumer Education and Protection Programs

Publishers Clearing House has established and maintains a comprehensive consumer education and protection program, designed around the two major elements of the repeated iteration of a "No Purchase Necessary" message and the identification and suppression of high activity customers who are ascertained to be unsuitable

for sweepstakes promotion. Publishers Clearing House supplements its efforts in this area with other consumer education programs and with proactive anti-scam programs to collect and provide information on consumer frauds to law enforcement personnel.

Reiteration of the No Purchase Necessary Message

Through active propagation of the message that “The Best Things in Life Are Free,” and that no purchase is ever necessary to enter a legitimate sweepstakes, Publishers Clearing House continues to help educate and protect consumers from illegal and fraudulent sweepstakes scams that demand a product purchase or some other form of payment to claim a bogus or non-existent prize.

Publishers Clearing House prominently features an “Anti-Scam/No Purchase Necessary” message on its toll-free customer service line 24 hours a day. This recorded message, which warns consumers never to send any money to claim a prize, has been particularly helpful in stopping scams that occur after business hours when legitimate companies and consumer protection authorities can generally not be reached to substantiate an offer. There were more than 4 million iterations or “impressions” of this key message to consumers calling Publishers Clearing House during 1998.

As a key member of the Federal Trade Commission’s *Partnership for Consumer Education*, Publishers Clearing House designed and produced an educational flyer emphasizing the important sweepstakes rule that “The Best Things in Life are Free” and that no purchase is ever necessary to enter or collect a prize in a legitimate sweepstakes. This flyer has been distributed by Publishers Clearing House to nearly 300 thousand consumers in mailings, speaking engagements and through community centers, senior centers and consumer gatherings. In 1997, a Spanish language version of the flyer was produced for improved distribution in Hispanic communities.

The “Best Things In Life are Free” flyer has recently been reproduced on the Publishers Clearing House website (www.pch.com) for all visitors to view. Additional information displayed on the website provides a variety of consumer education information on sweepstakes and useful tips on how to avoid becoming the victim of an illegal sweepstakes scam.

In addition to these active programs, Publishers Clearing House has for some time written on a regular basis to active customers with a non-promotional letter reminding them that they never have to order to enter or win or even to hear from us on a regular basis. Persons have been selected to receive such a letter on different bases at different times, and the number of persons to whom the letter has been mailed has varied. The most recent version of this letter was sent in February 1998 to over 125,000 active customers who had ordered \$1,000 or more from Publishers Clearing House in the prior year and each included a copy of the “The Best Things in Life are Free” flyer produced with the Federal Trade Commission. Selection to receive such a letter is not related to the future receipt of mailings.

Publishers Clearing House has, in addition, reached out with consumer education messages in regular appearances before community groups, senior citizen and consumer gatherings, and in radio, television and print interviews.

Proactive Assistance for Consumers

In addition to its innovative consumer education and anti-scam programs, Publishers Clearing House provides a different type of assistance for those who need help with sweepstakes issues. As with any promotion, there may be individuals who are confused and may respond inappropriately. While these are isolated incidents, and make up a very small proportion of Publishers Clearing House’s consumer contacts, we are concerned whenever we encounter such a situation and Publishers Clearing House maintains a number of comprehensive programs and policies to assist consumers and their family members, including:

Publishers Clearing House maintains a special “Sweepstakes Assistance Line” at (800) 563-4724 available to family members or friends who may need help or assistance about a loved one who may be responding inappropriately to the promotions they are receiving. This special service is publicized on inserts in Publishers Clearing House product shipments, on the Publishers Clearing House website, in the media and through public outreach programs.

Customer Service representatives are trained to spot customers who may need special assistance, and to handle inquiries in a humane and sympathetic manner backed by a liberal cancellation and refunds policy.

Whether identified by a Publishers Clearing House representative, or through contact by a family member, friend or other interested party, the situation is imme-

diately transferred to a specially trained group of senior representatives who will work to resolve any concerns or problems.

Publishers Clearing House maintains a consumer-friendly policy under which magazine subscriptions may be canceled for pro rata refunds and merchandise may be returned for full refunds. Postage paid labels are provided where appropriate to facilitate merchandise returns.

When such a situation becomes known to us, the customer's name will be removed from the Publishers Clearing House mailing list and a permanent block on incoming orders will be placed on the customer's file.

In cases where it appears a consumer may have been victimized by or lost money to criminal scam operations, Publishers Clearing House will directly contact appropriate consumer affairs and law enforcement agencies on behalf of the consumer.

Over 1,000,000 copies of a package insert that describes Publishers Clearing House's consumer assistance programs, developed by our Customer Relations Council and signed by Gina Passerino in the Consumer Affairs Department, have been distributed to customers.

There are other situations in which consumers may require special assistance—such as during floods or other natural disasters, or during a personal crisis involving a medical condition, or temporary financial difficulties—and Publishers Clearing House will put a hold on billing to allow customers time to deal with other priorities first.

HIGH ACTIVITY DETECTION AND SUPPRESSION PROGRAM

Proactive Identification and Suppression of Confused Consumers

The Nature of the Problem. The overwhelming majority of consumers understand fully the nature of the Publishers Clearing House sweepstakes, and respond rationally to our promotional mailings.

No purchase is necessary to enter a Publishers Clearing House sweepstakes, and all our promotional mailings carry a clear statement to that effect in a form sanctioned by an agreement entered into by Publishers Clearing House and a group of 14 States in 1994. Moreover, in an effort to “get the word out,” Publishers Clearing House has engaged in a number of entirely voluntary consumer education and protection initiatives focusing on the key “No Purchase Necessary” message, including special letters and flyers, and messaging on our toll-free customer service lines and in our website.

However, there are people who—for whatever reason—do not seem to understand this key message and appear, in some cases, to have engaged in inappropriate order activity. While they represent an extremely small proportion of Publishers Clearing House's total customer base, they are a source of real concern and pose an urgent issue for responsible direct marketers.

As a direct marketer, Publishers Clearing House does not have immediate contact with its customers, and hence does not have the visual clues about its customers that would ordinarily be available to a retail merchant. The nature of the business is such that in many cases the only communication with the customer is through preprinted order and entry forms. Moreover, Publishers Clearing House's order-based customer records and fulfillment system were not designed to aggregate customer orders over time and do not lend themselves to the ready detection of irrational buying patterns. Nevertheless, when the existence and nature of the problem came to Publishers Clearing House's attention, the company took positive and creative steps to respond responsibly to the phenomenon.

Publishers Clearing House's Response to the Problem. For consumers who can read and comprehend simple messages, the frequent reiteration of the “No Purchase Necessary” message should be enough to inform, educate and dispel any lingering misunderstanding. However, education alone may not by itself be enough for those consumers who, by reason of confusion, mental disability, lack of education or experience or other factors are unable to comprehend the basic message. Because we are concerned about all consumers, Publishers Clearing House has innovated and is now implementing a comprehensive program to identify such individuals and stop sending sweepstakes promotional materials to them.

The proactive High Activity Suppress Program developed by Publishers Clearing House is a real breakthrough in the direct marketing industry. It constitutes an innovative and effective way to “close the loop” with those high activity consumers who are in need of assistance, and to take effective steps to relieve their distress.

Fundamentals of the High Activity Suppress Program. The fundamental idea of the High Activity Suppress Program is that highly active customers should be identified, contacted and assessed for their suitability for sweepstakes promotion, in a

manner that respects the privacy and dignity of the persons in question as well as their legal and human rights. In administering the Program, it was recognized that it would not be possible to contact every customer, and accordingly we started with our most active customers.

In order to obtain the information needed to make a determination as to whether a customer should be removed from the mailing list, Publishers Clearing House contacted its most active customers by telephone and, where that has not proven to be possible, a by-mail survey. As a work in progress, we are developing techniques for the Program to assess those persons who could not be reached by telephone and have not responded by mail.

The High Activity Suppress program is supplemented by Customer Service representatives who are directed to be on the look out for individuals who may be in need of assistance, and who are empowered to take prompt and meaningful action to assist them.

Contacting Customers

Telephone Survey. Publishers Clearing House conducted a telephone survey based in part on questions taken from a survey conducted by the AARP that was intended to gauge a person's ability to make reasoned decisions, and in part on our own experiences in dealing one-on-one with our customers. Survey questions were designed to assess:

1. Comprehension of No Purchase Necessary message
2. Satisfaction with and use of ordered items
3. Reasons for customer purchases
4. Financial situation of customer

A series of test calls using the survey questionnaire was conducted initially in a pilot program to determine if the survey seemed to be effective and workable in providing the information needed to assess customers. Adjustments were made where deemed necessary to make the survey questionnaire more effective. Then, a small group of senior customer service representatives was chosen and trained to call consumers and administer the survey.

Three different ways of contacting customers by telephone were implemented. First, for those customers having a home telephone number that could be obtained from regular commercial sources, an outbound telephone contact was attempted. If the customer could not be reached initially, up to two callback attempts were made. If we were still unsuccessful in reaching the customer, or if no phone number could be obtained, the customer was mailed an invitation to call Publishers Clearing House Customer Service on a special toll-free 800 line at which point the survey would be conducted. Customers were offered a free gift as an inducement to participate in the survey.

Mail Questionnaire. If the outbound calls and inbound invitation elicited no response, after 30 days a mail questionnaire was sent to the customer with an invitation to participate and return the survey to Publishers Clearing House Customer Service. An additional follow-up questionnaire was mailed to non-respondents.

Assessment of Customer

Telephone and mail versions of the survey were then reviewed and customers assigned to one of two categories:

- (1) OK to Promote. Customer would remain on the Publishers Clearing House mailing list, but would receive additional educational messages on the No Purchase Necessary message from Publishers Clearing House in special mailings; and
- (2) Do Not Promote. Customer is immediately removed from all Publishers Clearing House active mailing lists and suppressed from future mailing selections. All unpaid product shipments are stopped.

Assessment of an individual's mental state and capacity for rational behavior is, under any conditions, difficult, and we recognized that our undertaking was inherently challenging. Some persons were initially assigned to an "undecided" category, and only assigned to one of the two main groups after further assessment and consideration.

The criterion weighted most heavily in individual assessment was whether or not the person demonstrated adequate comprehension of the no purchase necessary message. Moreover, while we do not believe that it is our province to make decisions for persons who are rational and understand that they do not have to make a purchase in order to enter the sweepstakes, nevertheless in cases where it appeared

that a person was in financial straits or had a serious health problem, they were also put into the “do not promote” group.

There were some customers who did not respond to the survey—either we could not contact them by telephone, or we did not receive a written survey back, or they indicated to us by phone or mail they did not want to participate. While we are still exploring alternatives for assessment in the absence of customer-provided information, attempts at assessment have been made on the basis of an analysis of their order activity. Pending further resolution as future contacts are attempted, these individuals have now been removed from the Publishers Clearing House active mailing list. Moving forward, for those persons who are not responsive to our attempts to contact them, reasonable steps, which may include statistical or other modeling, are planned to assess the suitability of such persons for further sweepstakes promotions.

Disposition of High Activity Names

The names of persons who are determined to be inappropriate for further promotion are marked for suppression from all future mailing selections, and a permanent “block” is instituted to prevent all future orders. People may also be blocked from placing future orders by reason of persistent non-payment, fraud, by request of a friend or relative and the like.

Website Consumer Affairs Features

The Publishers Clearing House website also features its Customer Service and Consumer Affairs services and messages, which include consumer education and anti-scam advisories reminding consumers that no purchase is ever necessary to enter or win a legitimate sweepstakes. Services promoted through the website include a special toll free “Sweepstakes Assistance Line” for consumers to call if they believe a family member or friend has questions or may need assistance regarding sweepstakes mailings they received. Those who may have a consumer inquiry or service issue can e-mail Publishers Clearing House directly for prompt handling. Publishers Clearing House’s website is a participant in the BBBOnLine program and displays the BBBOnLine logo to assure visitors that they are visiting the real Publishers Clearing House and not a scam or borderline operation that may be using Publishers Clearing House’s name improperly or a sound-alike version in an attempt to defraud.

The Publishers Clearing House Anti-Scam Database

Publishers Clearing House cooperates with law enforcement personnel to identify, apprehend and prosecute perpetrators of sweepstakes fraud.

Through its unique anti-scam database, Publishers Clearing House assists law enforcement personnel and consumer protection professionals in identifying sweepstakes frauds and in helping consumers to avoid sweepstakes scams. The information in this database, maintained in a secure format, is used exclusively to identify and track illegal and criminal scam operations.

Each consumer contact received by Publishers Clearing House that reports a sweepstakes scam is recorded on the specially tailored database. Full details of the scam are recorded and consumers are advised to contact the National Fraud Information Center Hotline. The anti-scam database now contains well over 30,000 entries and is regularly shared with law enforcement and consumer protection authorities to provide information on the location, identity and activities of current scam operations.

With the direct assistance of information gathered by Publishers Clearing House and provided to the authorities, over 34 arrests and some 15 convictions have been realized by a variety of Federal law enforcement officials. In addition, more than a dozen civil proceedings have been initiated by various consumer protection officials in a number of States and provinces acting, in part, on information provided by Publishers Clearing House. The comprehensive information on the database is available to all law enforcement and consumer protection officials upon request.

Publishers Clearing House Mailings Comply with Applicable Law

Compliance with Law; Odds. We believe that Publishers Clearing House mailings are conducted in full compliance with applicable law. We are not aware of any applicable law that requires us to disclose the odds of winning. However, we have recently moved to include a numerical odds statement in our mailings, and we support new Federal legislation that would impose this requirement on all sweepstakes marketers.

As you may know, Indiana has recently taken the position that its statute requires us to include an odds statement in a particular fashion in our mailings. While we disagree with their interpretation of law, we are prepared to meet with them and discuss a prompt resolution of the issue.

Favorable Court Rulings. Publishers Clearing House mailings have been challenged in the courts, and in each instance have been found to be lawful and not deceptive. In no case has a Publishers Clearing House mailing been found to be deceptive or misleading, or otherwise to have violated any law.

In a typical example, Judge Bertelsmann of the United States District Court for the Eastern District of Kentucky, in dismissing the cause in *Mains vs. Publishers Clearing House* (Civ. Act. 98-158), in a brief opinion and order stated:

The court carefully reviewed the exhibits containing the mailings to plaintiff, and finds no fraud or misrepresentation. The exhibits are clear that the recipient has some chance to win a large sum of money, but that most people will receive a prize of jewelry worth \$6.95.

In a similar vein, Magistrate Judge Cogburn, in the United States District Court for the Western District of North Carolina, in recommending dismissal of the cause in *Rich vs. Publishers Clearing House* (4:98 CV 178-C), stated:

. . . a reasonable person could not have concluded that he had won \$10,000,000 based upon the mailings annexed to plaintiffs complaint. . . . a mailing that informs a contest entrant that he is a "potential winner" is neither unfair nor deceptive, and it is not reasonable for a person to stay out of work or make purchases based upon such representation.

Likewise, Judge Aiken of the United States District Court for the District of Oregon, in granting summary judgment in favor of Publishers Clearing House in *Kiss vs. Publishers Clearing House* (Civ. No. 97-542-AA), stated:

Mr. Kiss contends that he believed entry of his name, and his name alone, into the official minutes of an actual Publishers Clearing House meeting meant that he had received the winning number in the contest and needed only to submit a timely entry to collect his prize. However, such an inference is not reasonable, in view of both the express qualifying language contained in the text of the documents and the ubiquitousness of computer-personalized mass mailings. A bulk mailing personalized with the recipient's name would not cause a reasonable person to infer that the mailing was being sent to him alone.

Compliance with the 1994 Assurance of Voluntary Compliance. Publishers Clearing House entered into an agreement or "assurance of voluntary compliance" with 14 States in 1994 that (among other things) prescribed the placement of the key "No Purchase Necessary" message in our mail, provided a protocol for the proper means of telling consumers that those who do not order may not receive promotional mailings in the future, and specified the circumstances under which an odds statement would be appropriate. Publishers Clearing House has lived up to its obligations under that agreement.

Customer Service

Consumers can reach Publishers Clearing House Customer Service by writing to 101 Winners Circle, Port Washington, New York 11050, or by telephoning toll-free in the United States and Canada: (800) 645-9242.

Our Customer Service Department consists of managers and over 200 well-trained Customer Service Representatives who are on-duty from 8:30 a.m. to 8:30 p.m. Eastern Time, Monday through Friday.

In relating to its customers, Publishers Clearing House adheres to a set of guiding principles on which the company was founded:

1. Satisfaction with purchases is guaranteed.

Publishers Clearing House offers magazine subscriptions at "unbeatable" prices and "good quality products at good value prices." All offers are made on a free trial basis which gives the customer the opportunity to read a magazine or try a product before paying for it.

2. Satisfaction with Customer Service is guaranteed.

Our customer relations philosophy is that the "Customer is always right" and that his or her wishes are followed as closely as possible.

"Free" consumer credit has always been a benefit of dealing with Publishers Clearing House. Customers—some of whom may not be able to afford the full purchase price at one time—are encouraged to take advantage of our installment billing without any interest charge.

Publishers Clearing House provides TDD (Telephone Device for the Deaf) to make ourselves more easily available to customers who are hearing-impaired.

3. Speed and Accuracy are crucial to Quality Service.

Speed is paramount—both in the delivery of magazines and merchandise ordered and in the servicing of inquiries and adjustments. The better we are able to accommodate consumers' desire for prompt and courteous service, the greater the loyalty of our customers.

The Development, Production and Delivery of Publishers Clearing House Mail

The company's staff of over one hundred writers, art directors and purchasing/production experts develops all mailing materials, then forwards them to vendor "lettershops" around the country for carefully supervised production and delivery to the United States Postal Service for integration into the postal stream and delivery to consumers. All solicitation materials are reviewed by legal counsel. The computer assignment of prize numbers to persons on merged mailing lists is performed according to specified procedures approved and supervised by the team of outside auditors.

To the degree practical within production and cost considerations—the company uses recycled paper in outgoing mail.

Handling of Contest Mail and Order Fulfillment

Every year millions of responses—sweepstakes entries with and without orders—are returned to Publishers Clearing House. Entries accompanied by an order are not in any way given a special priority or otherwise favored in the winner selection process over entries not accompanied by an order, and non-order entries have just as good a chance to win. Entries received after the applicable deadline date, regardless of whether accompanied by an order or not, are not eligible to win.

Response mail is delivered by the USPS to Publishers Clearing House document processing facilities. Internal control of every piece of mail begins at the moment of delivery. All mail is processed in a secure environment, to assure the timely, accurate and cost-effective processing of entries accompanied by an order and non-order entries alike, and to promptly transmit magazine and merchandise order information to appropriate publishers or fulfillment houses.

High speed mail sorting equipment is used to separate orders from non-order contest entries, and to slit reply envelopes open so that the contents can be efficiently extracted. Response mail that cannot be processed on the mail sorting machinery is then processed manually by the clerical staff.

The majority of entries (orders and non-orders alike) are then electronically read using technologically-advanced high-speed document scanning equipment. The use of these computerized scanners helps to ensure that all responses are accurately processed for orders and for entry into Publishers Clearing House contests, regardless of whether or not they are accompanied by an order. Those order and non-order documents that cannot be scanned are key entered manually to fulfill the orders and enter the entries into the contests.

Magazine orders are transmitted to publishers twice a week so that subscribers can expect to receive their first issues quickly (3–4 weeks in the case of weekly magazines, somewhat longer in the case of monthlies). Non-magazine orders are transmitted via telephone lines to our fulfillment facilities so that customers can easily receive their merchandise in about 2 weeks from when it was ordered.

Once all data have been collected from return mail, discardable materials are sent to recycling facilities.

Publishers Clearing House Billing Procedures

Bill Sequence and Timing. Within a week of when an order is processed at Publishers Clearing House, an order acknowledgment (including an initial invoice) is sent to the customer.

The first regular bill (Bill #1) is sent 6 weeks later for magazine and mixed (i.e., magazines and merchandise) orders, 7 weeks later for main line merchandise orders, and 6 weeks later for continuity merchandise orders.

The next regular bill in the series (Bill #2) is sent out 5 weeks after Bill #1 (with the exception of Continuity Bill #2, which is sent 4 weeks later). After that, bills are sent out every 4 weeks if the order remains unpaid. A customer with 3 or more main line orders delinquent at or beyond Bill #3 may be sent a quarterly consolidated statement (listing the unpaid main line orders).

After the internal billing cycle is completed (normally 9 months to a year), unpaid accounts are referred to outside collection agencies.

Detection of Duplicate Bills. Invoices and order based bills have a scanline on the return document that includes the order number plus the amount due for each order. Payment return mail is mailed to outside vendors or "lockboxes" for process-

ing and deposit of remittances. The lockboxes scan that information and pass the customer payment data by order number to our billing system. Publishers Clearing House posts these payments by order number. Accordingly, at that point, we can determine whether or not the payment is a duplicate.

Application of Duplicate and Over-Payments. If a duplicate payment from an order-based bill is received on a magazine order, the customer is promptly notified in writing of the fact of the duplicate payment and provided with an opportunity to obtain a full refund or accept an extension of the term of the magazine subscription. (Note that the magazine subscription would not be extended if the original order included merchandise line items, if the customer had accepted a previous extension offer, or if the order had a cancel or adjustment transaction applied.)

Merchandise overpayments and overpayments on magazine orders other than duplicate payments (i.e., those that do not correspond exactly to the initial amount due) between \$1.01 and \$5.00 are automatically refunded. If an overpayment greater than \$5 and less than \$500 is received, the overpayment is applied to other unpaid orders (oldest to newest) if any exists. If all orders are paid, the overpayment is refunded. If only part of the overpayment can be applied, the balance is refunded. Whenever an overpayment is applied to another order, a customer service letter is sent to the customer, notifying the customer and explaining how the overpayment was applied.

It is possible for an encoding error to occur and result in the recording of a payment as having been larger than the actual check received. Hence, in cases of larger overpayments, a special overpayment letter is sent advising the customer that they may be entitled to a refund and asking them to provide us with a copy of their canceled check for verification. A customer service 800# is included in the letter to encourage customers to call for additional information and assistance. Customer Service also requests a copy of the remittance check from our lockbox facility in order to make sure that an encoding error has not occurred. If an encoding error had not occurred and the customer did not ask for the payment back, the overpayment amount is either applied to unpaid orders or refunded within 60 days.

Availability of Toll-Free Customer Service Lines. All bills starting with Bill #4 include a toll-free Customer Service telephone number that customers may use to call for additional information or assistance with billing questions. Toll-free Customer Service telephone numbers are also included on the cover letter for any consolidated bill, in the letter text of any duplicate or over-payment notice, on merchandise return forms (included in the package with the original merchandise shipment), on the back of merchandise invoices (presently being phased in) and on all continuity Bills, as well as, as noted above, on main line Bills #4, #5, #7, #8 and #9 (and their Part Pay counterparts), and in all Customer Service correspondence.

Billing Questions. If a customer claims that he or she has already paid for an order, we automatically adjust their account if the claim is for \$9.97 or less to remove the charge. If the charge is more than that, we ask for proof of payment (such as a canceled check or money order receipt), and suspend billing for that particular order for a month to allow time to resolve the matter. If the customer is unable to provide proof of payment, ordinarily we will still credit the account if the customer maintains that the order was paid in the absence of indications to the contrary. If a customer claims that he or she never received the product, or claims the product was returned or damaged, we either offer to send a replacement or accept the customer's word on the matter and adjust the account to remove the charge.

Refund Policies. All magazines and merchandise are offered and sold on the basis of a 100 percent satisfaction guaranteed, money back with no questions asked policy. Magazine customers are permitted to inspect the first issue of any magazine subscription ordered, and cancel for a full refund if not completely satisfied. Magazine customers may cancel any magazine subscription at any time thereafter, and obtain a full refund on all unserved issues. Merchandise customers may cancel any order and obtain a full refund upon the return of the item in question. Customer Service representatives have the authority to waive return of unsatisfactory or unwanted merchandise, and to remove charges and issue refunds in other appropriate cases upon the request of the customer.

Publishers Clearing House provides cash refunds to its customers, and does not require them to accept merchandise credits in lieu of cash refunds.

Conclusion

Once again, thank you Chairman Collins, Senator Levin, and other Members of the Subcommittee for the opportunity to address these important matters.

We are proud of our company and its programs, and believe that we have behaved ethically and honorably in dealing with our customers and the general public. We think that more can be done to educate and protect consumers, and wish to reiterate

that we support a three-pronged program to address the concerns raised by the Subcommittee, consisting of:

1. Federal legislation that would provide business with clear objective standards for sweepstakes mailings.
2. A comprehensive program of consumer education and protection, arising from a public-private partnership between government and industry self regulatory organs.
3. Innovative and effective outreach and protection programs for those consumers who, for whatever reason, are not able to understand sweepstakes promotions, including suppression programs to get them off of active sweepstakes promotion mailing lists.

Thank you.

PREPARED STATEMENT OF PETER DAVENPORT, SENIOR VICE PRESIDENT,
GLOBAL MARKETING, THE READER'S DIGEST ASSOCIATION, INC.

I. INTRODUCTION

The Reader's Digest Association, Inc. ("RDA") is pleased to participate in the investigation being conducted by Senator Collins and the Permanent Subcommittee on Investigations ("the Subcommittee") into the utilization of sweepstakes as a promotional marketing tool by American businesses. Through our testimony here today, and our continued voluntary participation in this investigation, we hope to demonstrate that RDA utilizes sweepstakes honestly and fairly, as a legitimate and effective marketing vehicle to promote the wide variety of its products to a vast segment of the American population. RDA shares the concerns expressed by Congress concerning the use of sweepstakes by fraudulent operators. Unscrupulous business practices undermine consumer confidence in sweepstakes as an effective marketing tool and hurt businesses like RDA who use sweepstakes to legitimately promote their products and services. RDA supports tough laws and enforcement of laws already in existence to combat the activities of such fraudulent operators. RDA also recognizes that a small number of consumers who respond to promotional mailings may be confused. RDA is sympathetic to the needs posed by this small group of individuals and is committed to developing solutions to address the special needs of this small segment of the population. RDA looks forward to working cooperatively with Congress on appropriate measures, including legislation embodying many of the principles contained in Senator Collins bill, which will provide the level of consumer protection necessary, while not unduly restricting the use of sweepstakes by legitimate sectors of the industry, and depriving the millions of Americans who enjoy sweepstakes of the opportunity to continue doing so.

II. RDA IS A GLOBAL PUBLISHER WHICH UTILIZES SWEEPSTAKES AS A LEGITIMATE AND EFFECTIVE MARKETING TOOL

RDA is not a sweepstakes company. Rather, it is a global publisher of a vast array of magazines, books, music and video products. RDA's flagship magazine is read by more people than any other paid publication on the planet—over 100 million people, in 19 languages, in 49 countries. Nor is RDA simply a magazine company. RDA creates products in many different interest categories, such as health, history, do it yourself projects, religion, nature, travel, gardening and cooking. RDA researches its products extensively and is world renown for its editorial quality. RDA is committed to developing products that fit its customers needs and tastes, which are varied and diverse. In fact, for RDA's 1998 fiscal year, 63.5 percent of RDA revenues came from the sale of products other than magazines.

RDA's plans for the future are to develop an even more varied range of meaningful products and services to offer to a broader portfolio of customers. Specifically, the company has formally announced its intention to expand the Reader's Digest brand to other non-publishing product and service offerings, to continue its successful global expansion and to pursue new marketing channels in addition to its traditional sweepstakes connected direct mail businesses.

The diversity of RDA's current product offerings and its marketing strategies for the future all reflect RDA's core philosophy and stated corporate mission which is pure product driven—to create products that inform, enrich, entertain and inspire people of all ages and cultures around the world. While sweepstakes are an effective marketing tool that RDA utilizes to promote its products offers to existing and potential customers, the sweepstakes are always secondary and ancillary to the product offer. They are used by RDA much the same way as retailers or package goods marketers use sweepstakes, or any other form of advertising—to entice the customer to come into the store, or in the case of a direct mail marketer, to open the envelope.

Still, it is the strength and quality of RDA's products and the company's ability to cultivate and sustain long-term customer relationships that determines the success of the business. RDA could ill afford to jeopardize its strong brand equity or the unique trust it enjoys with its current customer base of approximately 42 million people by resorting to any deceptive marketing techniques whether through the use of sweepstakes or any other marketing tools.

RDA utilizes sweepstakes honestly and legitimately as one of the many promotional techniques it employs because it is a proven effective marketing tool. Sweepstakes are effective, not because they deceive or mislead, but because they generate interest and excitement and help draw attention to product offers. When used in the context of direct mail, they help differentiate the mailing from others in the consumer's mail box thereby increasing the likelihood that the consumer will open the envelope and see the product offer. Once the consumer is exposed to the product offer, however, it is the strength of the offer, the quality of the product and the value of the product for the price which will determine whether the consumer will actually respond with a purchase. For example, as will be discussed more fully later in this testimony, responses to RDA mailings with a purchase vary widely by product offer. The sweepstakes may get the consumer "into the store" so to speak, but once there, the consumer's decision to purchase or not, is product, rather than sweepstakes driven. Those who have no interest in the product can freely participate in the sweepstakes, without a purchase, which the vast majority of RDA customers understand and do.

III. RDA'S MAILINGS ARE TRUTHFUL AND HONEST, DISCLOSE ALL MATERIAL TERMS AND CONDITIONS OF THE SWEEPSTAKES OFFER AND ARE UNDERSTOOD BY CONSUMERS

Since RDA's sweepstakes are simply a marketing tool ancillary to its core business, RDA is careful to insure that its sweepstakes are not presented in any manner which would damage or denigrate its corporate brand image or reputation. For this reason, RDA has, as a matter of corporate policy, adopted certain marketing practices, and adhered to certain guidelines to insure that its sweepstakes are honestly and fairly presented and properly understood by consumers.

RDA takes several steps to ensure that recipients of its product offerings fully understand that no purchase or payment is necessary to enter or to win the sweepstakes, and that responding with a purchase will not increase or in any way enhance one's chances of winning. First, all of RDA's mailings convey the "no purchase necessary" message clearly and prominently in language that is easy to find, easy to read and easy to understand. Specifically, RDA's message goes beyond merely stating that "no purchase is necessary." RDA's mailings expressly state that "no purchase or payment is necessary to enter or win" in order to more precisely convey the fact not only that no purchase is necessary to enter, but that responding without a purchase will not disadvantage the entry in any way or reduce the entrant's chances of winning. RDA's product mailings also provide explicit instructions on how to enter without a purchase, at least twice in the main text of its mailings, and sometimes as often as three times. The complete instructions on how to enter without ordering are easy to locate, and presented in a single concise location so that the consumer does not have to navigate through the mailing in order to piece together all of the instructions necessary to follow to enter without ordering. The instructions on how to enter are also presented in clear, easy to understand language.

RDA also provides an equivalent means of responding for those who enter with and without an order—either a Yes or No envelope or a single response envelope. RDA, as a matter of policy, does this so that those who respond without an order need not furnish their own envelope, as a response envelope is being furnished to those who respond with an order. Furthermore, RDA directs all responses to the same processing facility, irrespective of whether the response is accompanied by an order or not. While RDA may employ different PO box numbers in order to more expeditiously handle the processing of orders and satisfy the requirements of the Federal Trade Commission's Mail and Telephone Order Rule, all responses are directed to the same physical location. In addition, once entries arrive at RDA's fulfillment center, RDA's policy is to process orders and non orders equally to ensure that every response, whether accompanied by an order or not has an equal chance of winning.

RDA believes that all of the above measures combine to insure that consumers fully understand that they do not have to purchase any RDA product in order to enter or win the sweepstakes, and that if they do respond without an order, their entry will not be disadvantaged in any way.

In order to avoid any misleading impression that a recipient of an RDA product mailing has won or is likely to win the sweepstakes, RDA provides the numeric odds

of winning each prize offered. The numeric statement of odds is designed to more precisely convey to the consumer the universe of participants in the sweepstakes, and the consumer's actual chances of winning.

RDA is aware of the fact that some members of Congress have expressed concern over solicitations that appear to emanate from the government or from some other regulatory agency. As noted above, RDA is proud of its corporate identity and brand image and seeks to leverage and exploit its brand name in all of its product offerings. Accordingly, every RDA envelope clearly identifies RDA as the sender. Furthermore, the complete details of any sweepstakes contained in an RDA product mailing are fully disclosed in the official rules of the sweepstakes included in any mailing containing sweepstakes entry materials. The official rules are always clearly printed in an easy to find location.

Finally, RDA's policy is to award all prizes offered. The majority of sweepstakes conducted by RDA are in the form of a random drawing. If a selected winner is deemed ineligible for any reason, the prize is always awarded to an alternate. In the instances in which RDA conducts a preselected winning number sweepstakes, a preselected winning number is always distributed, and if the winning number is not returned, the prize is awarded in a second chance drawing, even though such a drawing is not required by law. In fact, RDA has awarded more than 167 million dollars to more than 2 million winners, and expects to award over 8½ million dollars in 1999 alone. All of RDA's sweepstakes are administered by an independent judging agency in order to ensure the integrity of the winner selection process.

RDA's effectiveness in communicating the no purchase necessary message and the other material terms and conditions of its sweepstakes is strongly reflected by its own customer data. In all cases, across all product lines, the vast majority of consumers who respond to RDA mailings, respond without a purchase. In fact, on average between 75 and 80 percent of consumers who respond to a mailing, respond without making a purchase. Stated differently, more than four times as many consumers respond without making a purchase as those who respond with an order. For example, during fiscal year 1998, RDA received approximately 112 million entries without an order. This pattern is similarly reflected among RDA winners. Again, on average, 80 percent of RDA prize winners have entered without an order. This evidence clearly and empirically demonstrates that RDA mailings, clearly, conspicuously and effectively communicate the message that no purchase is necessary to enter and that entering without a purchase does not enhance one's chances of winning. Those consumers who respond by ordering an RDA product, thus cannot and should not be characterized as "victims" of deceptive mailings, but rather should more properly be characterized and viewed as intelligent, informed consumers who have elected to purchase a product based on the strength of the product offer, and the value and quality of the product itself.

IV. RDA DOES NOT TARGET THE ELDERLY OR ANY DEMOGRAPHIC GROUP

RDA states emphatically that it does not target the elderly or any other demographic group. Again, RDA offers a wide variety of products covering a wide range of interests. Given the breadth and variety of the products RDA markets, its product offer mailings by their very nature are likely to appeal to different target audiences. The criteria used to select the persons who receive any particular product offer mailings are, therefore, based on the specific product being offered and vary by product line. RDA attempts to mail each product offering only to those persons who are likely to have an interest in or affinity for the particular product being promoted. RDA's success as a direct mail marketer depends on its ability to properly identify the proper target audience for each of its particular product mailings, and that, by necessity, will vary by product. Neither age, nor any other single demographic criterion is ever a factor in and of itself in determining whether a particular name will be selected. Demographic data may be given some consideration as indicative of a likelihood of interest in a particular type of product, where the product is likely to have an appeal to a particular age group. For example, being over a certain age would be a negative factor for a contemporary music offer, but may be a positive factor for a compilation of music from the 1940s. Even in those instances, however, where the product is likely to have an appeal to a particular age segment, age is still only one of several factors, and is never one of the key factors to be considered in determining to whom the product offer will be mailed. Other characteristics indicative of potential interest in the product will also be considered and will, of course, vary by product. We would respectfully refer the Subcommittee to the Response provided by RDA to Request 3(d) for a detailed description of the many criteria RDA utilizes to determine who will receive a product mailing. While confidentiality concerns preclude us from specifying those criteria here, we are certain the Subcommittee will agree that age is not among the criteria used to determine who will receive

a product mailing. Many of RDA's products are targeted to a particular interest, which can and is likely to span across multiple age groups. For example, *Reader's Digest Magazine* is read by more PC users than the four leading PC magazines and by more rock fans than Rolling Stone Magazine.

It is true that a significant segment of RDA's customer base is above the age of 65. This, however, is purely a function of the fact that RDA is an established company, indeed a part of our American tradition, and has been offering quality products for over 75 years. The fact that a significant segment of RDA's customer base is comprised of mature citizens, is a tribute to RDA's ability to maintain long term customer relationships and to build long-term brand loyalty. This, in and of itself, is perhaps the best empirical evidence of the fact that RDA's mailings have been consistently fair and honest, as no company could succeed in maintaining such a loyal and established customer base if it engaged in misleading tactics.

V. RDA'S BUSINESS PRACTICES ENCOURAGE APPROPRIATE RESPONSIBLE PURCHASING BEHAVIOR

In addition to the strong guidelines adhered to by RDA in communicating its sweepstakes offers to consumers, RDA employs a number of business practices designed to ensure that its products are purchased only by those who want and need them and to detect and discourage inappropriate purchasing behavior. These policies reflect the high ethical business standards RDA applies to all aspects of its business. First, all of RDA's products are backed by a 100 percent satisfaction guarantee. Any magazine subscriber who is dissatisfied can cancel the subscription at any time and receive a full refund for all unserved issues. In addition, any purchaser of any of RDA's other products can return the product at any time for a refund. Moreover, RDA does not require payment in advance of product shipment, so that the consumer can examine the product before paying.

Second, all names on RDA's customer list are subject to mail plan elimination criteria. These criteria prevent customers from receiving an offer for something they have already purchased. For example, a current subscriber to *Reader's Digest Magazine* will not be sent any further mailings (other than renewal efforts) soliciting a subscription to the magazine.

Third, all names are matched against Reader's Digest's do not mail file and the Direct Marketing Association's Mail Preference Service to prevent RDA from sending mailings to those persons who have indicated that they do not want to receive further mailings from RDA. RDA also honors do not mail requests received from legal guardians.

Fourth, RDA has instituted a program to identify high volume purchasers and remind them that no purchase is necessary to enter or win the sweepstakes.

Because RDA markets such a large number and wide variety of products, it is to be expected that RDA's customers will be sent a variety of product offerings and may, in fact, purchase multiple items. There is no indication, however, that RDA's customers are being promoted excessively, nor is there any indication that RDA's customers are engaging in inappropriate or excessive purchasing behavior. We must be careful not to equate a loyal satisfied customer who may have a variety of interests that RDA's diverse product offerings appeal to, with a confused or uninformed customer. Such a conclusion runs counter to the whole notion of efficient direct marketing. As a company, RDA prides itself on its ability to develop products that appeal to its customer's interests. Indeed, much of the research for new RDA product development is conducted among RDA's existing customers. RDA has a strong business dedication to developing products that appeal to its existing customers' interests and desires, and its ability to successfully market new and multiple products to its existing customers base is a tribute to its success in achieving that corporate goal.

RDA's own customer data suggests that RDA's customers are not being promoted excessively and are not purchasing at an inappropriate level. For example, while the media has highlighted reports of consumers who have received 30-40 mailings per year from the same company, the average number of mailings received by RDA customers was 6 during fiscal year 1997, and 7 during fiscal year 1998. In addition, the average number of dollars spent by a RDA customer during fiscal years 1997 and 1998 was \$76.00 and \$71.00 respectively. Given the wide range of RDA product offerings available to choose from, we would respectfully suggest that these are indeed modest numbers.

VI. RDA RECOGNIZES THAT A VERY SMALL NUMBER OF CONSUMERS WHO RESPOND TO PROMOTIONAL MAILINGS MAY BE CONFUSED BUT IS COMMITTED TO STRONG INDUSTRY SELF REGULATION TO ADDRESS THE SPECIAL NEEDS OF THIS GROUP

While RDA recognizes that some consumers who respond to promotional mailings may be confused, RDA believes that this represents a very small segment of the population as a whole. The information presented earlier in this testimony concerning relative response rates with and without purchase and average purchasing levels, strongly indicates that the vast majority of RDA's customers understand how RDA's sweepstakes operate, and that no purchase is necessary to enter. Nonetheless, to the extent that there may be a small segment of the population responding to RDA's mailings that is confused, RDA is sympathetic to the special needs of that group and is committed to developing a solution to address this problem.

RDA believes, however, that the needs of this small segment of the population can best be addressed through responsible corporate practices and industry self regulatory measures designed to identify these individuals and provide whatever special assistance may be required, rather than through burdensome regulations which will impose onerous disclosure requirements on sweepstakes operators, which are just as likely to be misunderstood by this segment of the population.

Throughout its 75 year history, RDA has been an avid supporter and advocate of strong industry self-regulation as a member of the Direct Marketing Association Ethics Committee and through other voluntary measures. RDA has taken a proactive role in working with the regulatory community towards establishing and maintaining proper standards of conduct for the direct mail community.

RDA has also conducted an extensive consumer education program designed to assist consumers in distinguishing fraudulent sweepstakes from legitimate ones. Specifically, RDA has produced television and radio announcements, provided consumer education information on its website, and distributed a sweepstakes Fraud Prevention Tips pamphlet free to customers.

As a further example of RDA's proactive approach, upon learning that the issue of high volume purchasers was of concern to the legislative and regulatory community, RDA undertook on its own initiative, to conduct a representative survey of customers who had spent \$3,000 or more during fiscal year 1998 to ascertain their level of satisfaction with RDA's products and awareness of the fact that no purchase is necessary to enter the sweepstakes. RDA also sent letters to all customers who had spent \$2,000 or more during fiscal year 1998 to reiterate to such persons that no purchase is necessary to enter RDA's sweepstakes. As detailed in RDA's initial and supplemental responses to Request 8, the consumer response to these communications indicates a high level of consumer satisfaction with RDA's products and awareness of the no purchase necessary policy. RDA intends to incorporate this type of program into its standard operating procedures and has also begun working through industry associations towards the adoption of this type of monitoring program on an industry wide basis. As a member of the Magazine Publishers of America (MPA), RDA will also be adhering to the Best Practices Guidelines recently adopted by the MPA, including those policies designed to detect and prevent consumers from entering into excessively long subscription terms. RDA believes that these types of self regulatory initiatives will prove to be highly effective in addressing the special needs of the small segment of the population that may be engaged in excessive or inappropriate purchasing behavior.

VII. RDA SUPPORTS THE EFFORTS OF CONGRESS TO ADOPT MEASURES INCLUDING LEGISLATION WHICH WILL PROTECT CONSUMERS FROM FRAUD AND DECEPTION WHILE NOT UNDULY BURDENING THE OPERATION OF LEGITIMATE SWEEPSTAKES

RDA is fully committed to working with Congress on appropriate, effective measures including legislation that will provide added protection to consumers while not unduly restricting the legitimate use of sweepstakes as an effective marketing tool.

Indeed, RDA supports and endorses many of the principles embodied in the most recent version of Senator Collins Bill (S. 335) including:

- Clear and prominent disclosure of the no purchase necessary message.
- A prohibition on representing that those who enter with a purchase will have an increased chance of winning or receive priority in the sweepstakes.
- Disclosure of all material terms and conditions of the offer, including odds, nature and value of prizes and any fees, charges, or other conditions that must be met in order to receive a prize.

- A prohibition on false representations that the recipient of the mailing is a winner.
- A prohibition on inconsistent or contradictory disclaimer language.
- Clear and prominent disclosure of the identity of the sponsor of the sweepstakes.
- Clear and prominent disclosure that facsimile checks are non-negotiable.
- A requirement that all mailers adopt reasonable procedures to prevent mailings to persons who have indicated that they do not want to receive further mail from the sponsor.

While further discussion concerning certain elements of the bill and the precise language of certain provisions is still necessary, we believe that Senator Collins has identified the appropriate areas to be covered and we pledge our commitment to continue to work with Senator Collins and other members of Congress towards Federal legislation. We believe that properly balanced legislation which provides uniform national standards would be an improvement over the current framework which consists of many inconsistent State laws and heartily support such an approach.

VIII. CONCLUSION

RDA is extremely proud of the consumer trust it has established over many years and is committed to honoring that trust. RDA shares the concerns of the Congress and other regulators over the fraudulent use of sweepstakes as such practices undermine consumer confidence in sweepstakes and hurt businesses like RDA who seek to use sweepstakes as a legitimate and effective marketing tool. RDA believes that sweepstakes can continue to be used as a legitimate and effective marketing tool if the companies who employ sweepstakes adhere to firm ethical guidelines that promote consumer confidence. We are eager to work with other companies who use sweepstakes, with industry associations, with Congress, with the Postal Inspection Service and with other Federal and State regulators to achieve that goal.

PREPARED STATEMENT OF ELIZABETH VALK LONG, EXECUTIVE VICE PRESIDENT, TIME INC.

Good morning, Madame Chairman, and thank you for the opportunity to testify today. My name is Elizabeth Long, and I have been in magazine publishing and at Time Incorporated for the last 20 years. I am currently Executive Vice President at Time Inc., and my responsibilities include several divisions directly related to the circulation of our magazines.

I. Background Concerning Time Inc. And Its Use Of Sweepstakes Solicitations

Time Inc., a wholly-owned subsidiary of Time Warner, is the world's largest magazine publisher. It publishes many of this nation's leading magazines, including *Time*, *Fortune*, *Sports Illustrated*, *Life*, *People*, *Teen People*, *Money*, *In Style*, *Entertainment Weekly*, *Parenting*, *Health*, and *Southern Living*. The company's flagship publication—*Time* magazine—celebrated its 75th anniversary last year. All told, 32 magazines are part of the Time Inc. family; most are the market leader.

In the magazine industry, there are two principal and related revenue streams: advertising and circulation. Prices charged to advertisers are determined largely by a magazine's rate base—the amount of paid circulation a magazine guarantees it will deliver for each issue. Making the rate base that we promise to an advertiser is of critical importance. If paid circulation dips below the guaranteed rate base, an advertiser is entitled to compensation for the shortfall.

Circulation revenue is derived from two sources: subscriptions and newsstand sales. Like all other major magazine publishing companies, Time Inc. uses a variety of media to sell subscriptions and maintain its rate base: direct mail, television advertising, and insert cards among others. Our direct mail efforts involve premiums, discounts, free trial issues, as well as sweepstakes mailings. (We do not use other contests or games of skill). The goal of our circulation efforts is not to attract one-time purchasers. *Time's* rate base of 4 million, and *Sports Illustrated* and *People's* rate base of 3 million were not built by attracting a series of one-time subscribers. Our success is based on a 75-year history of satisfied customers. Readers who try our publications appreciate the quality and credibility of our publications, and renew their subscriptions for those reasons. Our goal is to encourage people to try our magazines. Premiums, discounts, free trial issues, and sweepstakes mailings are all used to make a trial purchase easy and attractive.

Sweepstakes mailings have been a part of Time Inc.'s circulation efforts for more than 20 years. Time Inc. magazines use sweepstakes in their own promotional efforts, which we will discuss below. Also, like other major magazine companies, such

as Hearst, Conde Nast, and Reader's Digest, subscriptions to Time Inc. publications have been sold through the "stamp sheet" companies: Publishers Clearing House ("PCH") and American Family Publishers ("AFP").¹ In the early 1980's, a number of Time Inc. magazines began using sweepstakes mailings as part of their own direct marketing efforts.

PCH and AFP provide an important service not only to Time Inc. but to all major magazine publishers. Because of the huge scope of their mailings, the wide variety of magazines that they offer, their mailing lists, and their historical knowledge of this business, PCH and AFP are able to efficiently provide publishers with a significant volume of new subscriptions. Time Inc. and other publishers acting individually could not economically mail to as broad a population as AFP and PCH do. These agents permit publishers to attain their circulation base guarantees to advertisers. If the stamp sheet companies were driven out of business, publishers' ability to sustain their circulation levels would be seriously eroded. Many magazines would be adversely affected, and some would fail.

Sweepstakes are commonplace in today's business world. They are used as a marketing and promotion tool by automobile manufacturers, fast food chains, the soft drink industry, the snack and candy industry, the credit card/banking industry, cereal manufacturers, and even charities—including the Easter Seal organization. Magazine publishers employ sweepstakes for the same reason that all these other businesses do. They are attention-grabbers—like a "SALE" sign in a department store window. They may encourage a potential customer to open a mailing that they otherwise would throw in the trash. The point of these mailings is not to convince people that they have won a prize. That serves no business purpose, and would only alienate and anger potential customers. Instead, the point of these mailings—like all advertising and promotional efforts—is to attract attention and interest.

II. Time Inc.'s Sweepstakes Mailings

About half of Time Inc.'s publications—including *Time*, *Sports Illustrated*, *People*, and *Life*—use sweepstakes promotions. Many of our customers enjoy participating in the sweepstakes, and very few have difficulty understanding them. Statistics which we discuss below bear this out.

Time Inc. sweepstakes mailings contain a number of standard terms designed to eliminate consumer confusion. We repeat at several points in our mailings—in our letter to consumers, on our order forms or reply envelopes, and in our sweepstakes rules—that no purchase is necessary. Indeed the "no purchase necessary" notice is printed in bold type as the first three words in our rules; the rules themselves are set apart and easily located, often on the outside of our sweepstakes mailer or on our sweepstakes entry form. Unlike the lottery tickets sold by many of our State governments, our sweepstakes mailings do set forth the odds of winning.

Our sweepstakes are run fairly and honestly, and are administered by an independent judging organization. Since December of 1986, Time Inc. has paid out more than \$13 million in cash prizes to more than 66,000 sweepstakes entrants. We determine our prizes at the beginning of a sweepstakes period, and set a date by which time our prizes will be awarded, without any contingencies. We award our major cash prizes once a year. Orderers and non-orderers have the same chance of winning, and we make it as easy for non-orderers to enter as for those who order magazines. Indeed, our magazine promotions explicitly explain to consumers how to enter the sweepstakes without ordering.

Our sweepstakes promotion program is not designed to, and does not, induce consumers to buy an inappropriate number of magazines.² As the statistics previously provided to the Subcommittee demonstrate, *85.6 percent of the individuals who subscribe through our sweepstakes promotions bought from us only once in 1998. 98.4 percent of these subscribers ordered between one and three times in 1998*—many of these were renewals of the same magazine. Since a large proportion of brand new subscriptions are for 6 months, the first order and subsequent renewal often occur in the same year. The data from 1997, also previously presented to this Subcommittee, are nearly identical: 85 percent and 98.3 percent respectively. These data dem-

¹A wholly-owned subsidiary of Time Inc. owns a 50 percent interest in American Family Enterprises, the parent of AFP.

²Although many direct marketing companies pursue a strategy of remarketing customers a succession of promotions for various products, Time Inc. is not one of them. We are a highly decentralized company, and our individual magazines employ independent marketing strategies which focus on attracting and retaining customers for each individual publication. Delivering a magazine's circulation guarantee for advertisers is the foremost goal of consumer marketers in the company, and renewing current subscribers is the best way to ensure that that objective is met. In other words, *renewing* a *Sports Illustrated* subscriber is more important to management than selling that subscriber another Time Inc. product.

onstrate that our sweepstakes customers are not obsessed with buying our magazines to enter our sweepstakes.

Anyone who analyzes our sweepstakes customers' buying habits can readily see that they are not compulsive buyers of our magazines. The average total amount spent by our sweepstakes customers in 1998 was \$56.01. And, 93 percent of our sweepstakes subscribers spent between \$1 and \$99 on our magazines. 99 percent of our sweepstakes subscribers spent less than \$200 on our magazines in that year. (The figures for 1997 are virtually the same.) Nothing here suggests that people are buying "too many" of our magazines, or that consumers are buying our magazines merely to participate in the sweepstakes. These figures are particularly striking given the relatively high cost of annual subscriptions to our magazines—\$103.48 for *People*, \$81.95 for *Sports Illustrated*, and \$59.95 for *Time* and *Fortune*. In light of these subscription prices, the annual cost of two or three magazines quickly exceeds \$100.

Our sweepstakes mailings have never targeted the elderly, or any other discrete segment of the population. We mail sweepstakes promotions to all demographic segments of the population, and the sweepstakes copy used in these mailings is identical. The statistics previously submitted to this Subcommittee show two very important things: first, sweepstakes have wide appeal across generations; and second, that our elderly sweepstakes customers do not spend significantly more money, or order significantly more often, than do our younger sweepstakes customers.³ In 1998, 99.5 percent of our sweepstakes customers under the age of 55 spent less than \$200 on our magazines; 99.1 percent of those aged 56 to 64 spent less than \$200; 98.9 percent of those aged 65 to 69 spent less than \$200; and 97.6 percent of those aged 70+ spent less than \$200. (Once again, the statistics for 1997 are nearly identical).

Similarly, in 1998, 99.3 percent of our sweepstakes customers under age 55 made between 1 and 3 purchases; 98.3 percent of those aged 56 to 64 made between 1 and 3 purchases; 97.8 percent of those aged 65 to 69 made between 1 and 3 purchases; and 95.5 percent of those aged 70+ made between 1 and 3 purchases. (The figures for 1997 are nearly identical).

It is very clear that the vast majority of our sweepstakes customers are neither ordering nor spending at what might be considered to be an unusually high level. Given the volume of Time Inc. sweepstakes mailings sent to consumers—nearly 500 million mailings sent from October of 1995 through February of 1998—there will inevitably be a very small number of consumers who may not read our copy, or correctly comprehend it. Time Inc. is prepared to work with this Subcommittee and representatives of the magazine publishing and direct marketing industries to devise remedies for whatever problems this very small percentage of our customers are experiencing with our mailings. Our concern is that the remedy that is devised be responsive to the problem, and not indiscriminately and unnecessarily damage a business that consumers enjoy and that is an effective marketing tool, not just for magazines publishers, but for a wide array of other businesses and charities. Although there has been a great deal of attention focused on this issue of late, including in the media, we believe that the problem has been substantially, perhaps even dramatically, overstated. We welcome this Subcommittee's efforts to quantify and define the extent and nature of any problem caused by sweepstakes and will assist this Subcommittee in any way we can to gauge and correct the problem. We are concerned, however, that the perceived problem may have cast a shadow which is much larger than the reality.

III. Proposed Legislation

With respect to the legislation introduced by Chairman Collins and Senators Cochran, Levin, and Durbin, S. 335, we have been able to review in depth the provisions that would prohibit certain practices in sweepstakes mailings and mandate certain disclosures. We are still analyzing the balance of the bill, although we have certain preliminary concerns about it.

A number of the practices which S. 335 would bar are not engaged in by Time Inc., and a number of the disclosures which S. 335 would require, Time Inc. mailings already make. We consider the proposed restrictions and disclosures in the order that they appear in the proposed bill (at Section 3001(k)(2)(B) (i)-(xiii)).

(i) No purchase is necessary notice

Time Inc. sweepstakes mailings already include such a notice, in at least three locations.

³ Of our 32 magazines, only *Time Magazine* pursues an editorial and/or marketing strategy tailored to different demographic market segments: professionals, mature readers (50+), families, and youth. The sweepstakes copy sent to these four core groups is identical.

(ii) Threat that further mailings will not be sent absent a purchase

Time Inc. does not use this technique in its mailings. This concept is acceptable to us.

(iii) Linkage between sweepstakes entry and payment

Time Inc. does not use this technique in its mailings. This concept is acceptable to us.

(iv) Suggestion that odds of winning will increase if purchase is made

This concept is acceptable, but the provision should use the term “represents” rather than “suggests.”

(v) Representation that a consumer is a winner when they have not won a prize

This concept is acceptable.

(vi) Clear presentation of rules

This concept is acceptable.

(vii) Clear identification of party mailing sweepstakes material and its principal place of business

This proposed provision should refer to the sponsor of the sweepstakes, not the vendor responsible for sending out the packages. Otherwise, it is acceptable.

(viii) Prohibition of statements that are inconsistent with contest rules

In concept this is acceptable, although it is unclear what statements might be viewed as “qualifying, limiting, or explaining [the] rules in a manner inconsistent with [the] rules.”

(ix) Notice in rules of odds of winning, quantity, value and nature of prizes, and schedule of payments

Time Inc. sweepstakes mailings already include this information.

(x) Suggestion that purchase will give sweepstakes entry priority, or make customer eligible for additional prizes or special treatment in future contests

This concept is acceptable.

(xi) Disclosure of fees associated with claiming free prizes or awards

There are no fees or charges associated with Time Inc. sweepstakes prizes. This concept is acceptable.

(xii) Facsimile checks must contain “non-negotiable, no cash value” notice

This concept is acceptable.

IV. Headline Copy

Many Time Inc. sweepstakes mailings make use of what is known as “headline copy.” In a February 3, 1999 press release, the Subcommittee expressed concern about this sweepstakes technique:

Another mailing used large type that read: “You Were Declared One of Our Latest Sweepstakes Winners And You’re About to Be Paid \$833,337 in Cash!” Of course the recipient wasn’t really a winner. As the fine print explained, the money would be won only if the recipient held the grand prize winning number and returned it “in time.”

Headline copy has been used for more than 10 years by Time Inc. and other major sweepstakes mailers. Like the sweepstakes mailings as a whole, headline copy is an attention-grabber. Language referring to the sweepstakes’ \$833,337.00 grand prize—that the recipient has won the prize; that “we are now authorized to pay” the prize; that a bank check is on its way to the recipient’s address; or that the prize will be forfeited absent a response—is in large, bold type, while explanatory copy—*e.g.*, “if you have and return the grand prize winning entry in time, we will officially announce. . . .”—is in smaller, albeit very legible type, usually 12 point.

Is the headline copy designed to capture the recipient’s attention and encourage him or her to read further? Of course. This is no different than any headline whether it be in a newspaper, magazine or press release. Headline copy is always designed to get the reader’s attention, not tell the whole story. You must always read further to get to the meat of the matter. Could any reasonable person who reads the package come away believing that they have won the grand prize? No. At every instance in which headline copy concerning the grand prize is found, explanatory copy directly adjacent to the headline copy makes clear that winning the prize is contingent upon having and returning the grand prize winning entry. The explana-

tory copy is clearly legible and is clearly set off in open areas of the promotion where it cannot be missed. And the explanatory copy is not in “fine print.” Instead, it is generally in 12-point type—the same size type as that used in the Subcommittee’s press release “Section-by-Section Summary” of the proposed sweepstakes legislation.

While our business practices are not determined merely by what is legally permissible, it is worth pointing out that courts have repeatedly rejected the argument that Time Inc.’s headline copy is deceptive. In *Haskell v. Time Inc.*, 857 F. Supp. 1392, 1403 (E.D. Ca. 1994), for example, the Court reviewed sweepstakes language stating: “If you return the grand prize winning entry, we’ll say you’re the winner.” In considering this statement, and others in the mailing, the Court stated:

These statements, in context, are not misleading. It is clear from the exemplar that no reasonable addressee could believe that the mailing announced that the addressee was already the winner. . . . The statement “you’re the winner” is preceded by “if you return the grand prize winning entry, we’ll say.” These allegations are dismissed.

Haskell v. Time Inc., 857 F. Supp. at 1403.

Similarly, in *Freeman v. The Time Inc. Magazine Co.*, 68 F.3d 285 (9th Cir. 1995), the Court rejected plaintiffs argument that Time Inc.’s headline copy was deceptive:

The promotions expressly and repeatedly state the conditions which must be met in order to win. None of the qualifying language is hidden or unreadably small. The qualifying language appears immediately next to the representations it qualifies and no reasonable reader could ignore it. Any persons who thought that they had won the sweepstakes would be put on notice that this was not guaranteed simply by sufficient reading to comply with the instructions for entering the sweepstakes.

Freeman further contends that the qualifying language in the promotion, even if read by the recipient, is ambiguous. He argues, for example, that the statement “If you return the grand prize winning number we’ll officially announce that [you have won]” leaves room for the reader to draw the inference that he or she has the winning number. *Such an inference is unreasonable in the context of the entire document.* In dismissing the complaint against Time in *Haskell*, the court noted that such “statements, in context, are not misleading. It is clear from the exemplar that no reasonable addressee could believe that the mailing announced that the addressee was already the winner. . . .” We agree. Any ambiguity that *Freeman* would read into any particular statement is dispelled by the promotion as a whole.

Freeman, 68 F.3d at 289–90 (emphasis added).

In short, the courts have repeatedly confirmed that no reasonable person reading our mailings would believe that he or she has won the grand prize. The courts’ conclusions simply reflect common sense. No reasonable person would take action based on a headline that he or she read in a newspaper or magazine, without reading the underlying article. The headline is a tried, true and accepted literary device to get a reader to read the whole story, not just the headline.

V. *The Future*

We firmly believe—and all relevant statistics confirm—that the vast majority of our customers (i) understand our mailings, and (ii) buy our magazines on their own merits, not merely to participate in the sweepstakes. However, we recognize that a very small percentage of the population may have difficulty with sweepstakes promotions. This is a significant concern to this Subcommittee, to various Attorneys General, and to us. We at Time Inc. have as much interest in solving these difficulties as this Subcommittee and the various Attorneys General do. None of these problems or regulatory concerns are good for our business, and we sincerely want to work out appropriate solutions to them.

Among other things that we are voluntarily undertaking to address these concerns is the development of an internal program to identify any customers whose unusual buying patterns suggest a misunderstanding of our sweepstakes promotions. Such individuals will be reminded that there is never any requirement to purchase our products in order to participate in our sweepstakes. If these customers’ unusual buying patterns continue, one option may be to place them on “do not promote” lists. However, the issue is a complicated one, involving privacy principles and the fact that we cannot simply make assumptions about individuals or, worse, classes of individuals. Further, we believe that the remedy for this problem must be industry-wide in order to be fully effective. We strongly support industry efforts

to identify and craft appropriate assistance to individuals whose conduct indicates difficulty understanding sweepstakes promotions. Of course, this will have to be within the bounds of pertinent antitrust law, if any.

We are also undertaking several additional voluntary initiatives to further ensure the clarity and straightforwardness of our sweepstakes promotions. We are taking steps to further increase the clarity and prominence of explanatory copy associated with any headline or winners list copy. Also, most of our promotions include a statement on the entry or order form telling the reader how to enter without ordering. We will make this a general policy for all of our sweepstakes promotions. Finally, we will ensure that the sweepstakes rules in all of our packages will be printed in at least 8 point type (the same type size used in the Wall Street Journal). In this regard, note also that in our latest sweepstakes, Guaranteed & Bonded IV, the statement of the numerical odds of winning each prize in the rules has been highlighted in bold type.

In closing, Madam Chairman, we want to thank the Subcommittee for its invitation to appear at this hearing. We recognize that there is a problem and a basis for legitimate regulatory concerns, and we want to develop appropriate solutions. The Subcommittee is performing an important service in helping the sweepstakes and direct marketing industries and the regulators define the scope of the problem and develop solutions which address those problems. These solutions should be tailored to the real issues, avoid unnecessary damage to the vitality of our magazine industry, and not run afoul of the protections afforded commercial speech under the First Amendment.



on Investigations

EXHIBIT # 1Dorothy Addeo
Contest Manager

October 10, 1997

Eustace Hall
[REDACTED]
[REDACTED]

Dear Eustace Hall:

I'm in a bit of hot water -- and only you can help me out!

My boss dropped into my office the other day, sat down and sighed.

"What's the story with Eustace Hall? I see that name on our Best Customer List, on our Contenders List, on our President's Club Member List. But I don't see it on our Winners List. There must be **something** we can do to change that. It's not right when someone as nice as Eustace Hall doesn't win."

Then he sighed again, looked at me, and left.

And I sat there wondering what to do.

I had my mission, Eustace Hall. To make you a winner -- and soon. And I'm happy to report that with a little help from you I can **personally guarantee** that you'll win a prize in our Sweepstakes!

You see, you're due to receive a Sweepstakes invitation from Publishers Clearing House in the next few days. Now, I've made sure that your invitation includes a special opportunity that **guarantees** you'll win a prize valued up to \$5,000,000.00. That's a guarantee you won't get from any of our competitors. So don't be fooled by imitators -- look for a purple envelope from Publishers Clearing House with your personal Guaranteed Winner Documents attached to the front.

Return the Guaranteed Winner Document from that Bulletin by the deadline and you'll be a Publishers Clearing House winner!

I can't say what that prize will be. And I can't say exactly when in the coming year you'll win. But win you will!

So please accept our invitation as soon as you receive it. Once you do, you'll experience the thrill of winning -- and that's **guaranteed!**

Waiting to hear from you,

Dorothy



on Investigations

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Contest Manager

October 10, 1997

Eustace Hall
██████████
██████████

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I can't say what that prize will be. And I can't say exactly when in the coming year you'll win. But win you will!

So please accept our invitation as soon as you receive it. Once you do, you'll experience the thrill of winning -- and that's **guaranteed!**

Waiting to hear from you,

Dorothy

OPEN YOUR DOOR TO \$31 MILLION ON JANUARY 31 MRS. [REDACTED]

CONFIDENTIAL INFORMATION
on Investigations
EXHIBIT # 2



We've penciled in [REDACTED] as our next winner's stop ...
and we could be there on Super Bowl - Sunday with \$31,000,000.00 ... our largest SuperPrize ever!

Hi, I'm Dave Sayer. You've probably seen me on television. I'm the man who rings the doorbells of our big winners and greets them with the news that they've just become millionaires.

I'm always on the road visiting winners, and I'm writing to tell you that I'm already starting to prepare for my next trip. And what a trip this one is going to be! You see, to celebrate our 31 years of Sweepstakes Giveaways, we could be awarding \$31,000,000.00 on the evening of January 31, Super Bowl - Sunday! In fact, I could be rushing through the streets of Glen Ridge looking for your home because I see ...

... the name of Mrs. [REDACTED] is among those on the Prize Patrol Itinerary as a potential winner of \$31,000,000.00!

You see, your recent order and entry has proven to us that you're indeed one of our loyal friends and a savvy Sweepstakes player. And now, I'm pleased to tell you that you've passed our selection criteria to receive this special invitation -- and potential winner status -- to claim this giant \$31 Million SuperPrize.

In addition, this document confirms that your recent order has been received and is now being processed for delivery. It should arrive shortly.

Don't miss out -- this is a special THIRTY-ONE MILLION DOLLAR opportunity just for special friends like you. Even if you've entered our Sweeps before, I urge you to enter this one, too. And if the SuperPrize Number assigned to you in this Bulletin matches the winning one ...

... the name of [REDACTED] goes on our giant check for \$31,000,000.00!

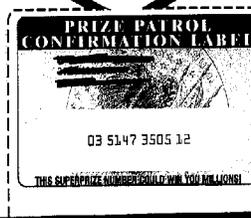
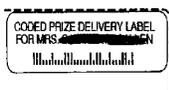
But before the Prize Patrol can leave Port Washington, you have to let us know that you want this chance at winning 31 Million Dollars. And that's so easy to do. Simply transfer the Prize Patrol Confirmation Label below to the Prize Patrol Confirmation Form and return it by the 1/4/99 deadline. Then, if the winning SuperPrize Number comes in and it's yours ...

I'll definitely ring the [REDACTED]'s doorbell on January 31 to present you with your check, and your winning moment will be broadcast live on FOX TV right after the Super Bowl!

So hurry! We'll hold your place on the Prize Patrol Itinerary until the deadline date. Don't miss out on this special opportunity to win millions!



There's more! Over please ...



customers like you. You'll find dozens of great products -- all at unbeatable prices.

Just take a look at this outstanding variety. I'm sure you'll find something here to please you or anyone on your gift list:

BIOSLIM® ... OUR SPOTLIGHT FEATURE! Finally ... a natural, healthful weight control program that really works!

"FOREVER YOUNG" Music Collection ... our special HOUSE FAVORITE! Delight in 38 great hits from a classic era in pop music ... the fabulous Fifties and swingin' Sixties!

ROYALTON COLLECTION "JENNIFER" BUTTERFLY DOLL ... a finely crafted collectible featuring lovely design and hand-painted details.

GREATEST HEROES AND LEGENDS OF THE BIBLE ... One of the all-time greats, Charlton Heston, brings the story of Moses and the miracles of Jesus to life in this exciting two-video collection!

And, be sure you don't miss out on other terrific offers like the classic **FANNIE FARMER BAKING BOOK**, containing over 800 tasty recipes ... soft, chewy, delicious **CITRUS FRUIT SLICES** in a beautiful stained glass-design gift tin ... and the non-stick, dishwasher safe **AMBERWARE® MICROWAVE COOKWARE** which makes food preparation a breeze! The list goes on and on with over 75 incredible values -- from videos to music, books to handy household items!

There are absolutely no strings attached to our prizes.

Whether or not you decide to take advantage of these terrific offers, I want you to know that I deliver the prizes with no strings attached. We never ask you to pay any money to claim your prize. Publishers Clearing House gives YOU all the money!

With so much money at stake -- I urge you to act RIGHT NOW!

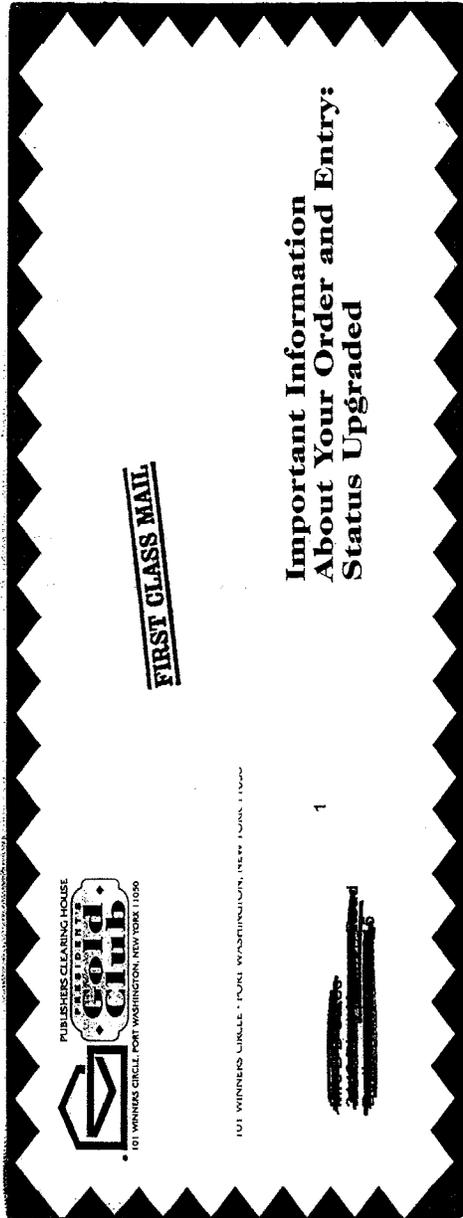
So let me know right away if you want me to arrive at your door ready to award our BIG MULTIMILLION DOLLAR cash prize! I'm waiting to hear from you now!

Sincerely,



Dave Sayer,
for The PCH Prize Patrol

P.S. We've dipped into our reserves, bonded and registered \$31,000,000.00 in prize money with New York State to celebrate our 31-year Sweepstakes history -- and it's guaranteed to be awarded January 31st! If the winning number is returned from a \$31,000,000.00 Super Bowl™ Bulletin. If not, the prize will be \$10,000,000.00 and the balance will be awarded in a future Giveaway. So hurry -- the big day is fast approaching. Make sure you tell us if you'll be home -- simply affix your Coded Prize Delivery Label from the front of this letter to your enclosed Notice Of Delivery card and return it with your order. If not ordering, see Official Rules for entry details.





THE
 STATE OF
 BURNING

Dear _____,

Congratulations!

Your Official Prize Acceptance Form was received on time, and has been processed. Now it's my privilege to inform you that your status as a potential winner for our next One Million Dollar payout has been confirmed. Your last entry is now tied to win our whopping One Million Dollar SuperPrize!

So you're in line to become a millionaire, _____! And that's great news, of course. But in order for us to begin preparations of your prize payments, should your entry from this Bulletin break the tie, we need your signed Status Acceptance Form by 6/23/97.

Also, get your entry back by 6/16/97 and you'll be in the running for an EXTRA \$1,000,000.00 winner-take-all bonus Giveaway! You can see the importance of a prompt reply -- so why not do it right now while it's still fresh in your mind.

And since we know you love quality videos featuring America's beauty, I've also sent an exciting, brand new offer just for President's Gold Club Members like you -- TOURING THROUGH GREAT NATIONAL PARKS OF AMERICA. This fabulous 3-video collection

over →

explores the fascinating, inspiring, breathtakingly beautiful wild country we love. Come, visit "America the beautiful" and take an extraordinary journey to experience the wonder and majesty of America's National Parks.

Each one-hour video journeys deep inside two National Parks ... Volume 1 visits Arches & Bryce Canyon ... Volume 2 explores Glacier & Rocky Mountain ... and Volume 3 travels to Olympic & Acadia. You'll see magnificent, vast vistas as never before!

And best yet, order the entire collection now and get **\$5.00 OFF** ... plus receive a **FREE** slipcase and **FREE** Rand McNally® map! Your 14-Day Free Inspection Privilege lets you preview videos in your own home without risk! If for any reason whatsoever you're not completely thrilled, just return them within 14 days and you won't owe a penny.

But whether you're ordering or not, please sign and return your **Status Acceptance Form**. It will take only a moment -- one that could turn into many joyous moments if you're declared our **BIG ONE MILLION DOLLAR WINNER!**

Dorothy Addeo

Dorothy Addeo, for
Publishers Clearing House

P.S. Don't forget to affix the \$1,000,000.00 Bonus Stamp you'll find with your Order Stamps to your Status Acceptance Form. A speedy reply could mean a whole lot of extra money! And speaking of "speedy," order now and you'll get **Priority Delivery** at no extra cost.

PUBLISHERS CLEARING HOUSE

ONE MILLION DOLLAR
STATUS ACCEPTANCE FORM

C3908FB

I, [REDACTED] understand that my recent entry has confirmed my **POTENTIAL WINNER** status, and is upgraded as **TIED TO WIN**. I hereby acknowledge my intention to accept \$1,000,000.00 should I be declared the next SuperPrize winner. Furthermore, I understand this Acceptance must reach Publishers Clearing House by 6/23/97 or I forfeit all claims won from this Bulletin. At this time, although I know I never have to order to win, I would like to order the item below for 14-Day Free Inspection.

Signed _____

\$1,000,000.00 BONUS. ACT NOW.

ALL ENTRIES RECEIVED BY 6/16/97 WITH ONE MILLION DOLLAR STAMP AFFIXED WILL REACH THE BONUS DRAWING FROM WHICH OUR NEWEST MILLION DOLLAR WINNER WILL BE SELECTED.

97NP339

PLACE
\$1,000,000.00
BONUS
ENTRY STAMP
HERE

PLACE
NATIONAL
PARKS
ORDER STAMP
HERE

23 1419 8428 A

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A

A shipping & handling charge of \$4.95 for one video, or \$5.95 for either two videos or the set of three videos will be added to your order. Applicable sales tax will be added in CT, MN, NY, and WI. Delivery insurance provided at no extra charge.

OFFICIAL RULES

Why you were chosen to receive this Bulletin. Since we can't mail to everybody, we set up certain qualifications as to what groups we will send Bulletins to and when. (All customers and friends with at least one merchandise order a year, or one magazine order in the last 3 months, or who write to us requesting admission, gain annual membership in the President's Gold Club.) We select specific people to receive each Bulletin based on the interest they've shown in receiving our mail. Thousands are eliminated when we go through this process because they do not meet the standards. But you did! You qualified and that's why you're getting the enclosed SuperPrize Number, which could make you a millionaire. All entries received by the deadline will be eligible for all prizes promoted in this Bulletin. You may receive multiple entry opportunities in our ongoing Giveaways.

How we determine Giveaway winners. We will hold a random drawing for Giveaway No. 265. When the prize is awarded by matching winning number, a timely entry with that number wins the prize. If the matching winning number for any prize is not returned by the applicable deadline, we will award the prize to an alternate winner in a random drawing from among all eligible entrants. In the unlikely event a winning number is duplicated, there will be a random drawing from among such duplicated numbers to determine the winner.

GIVEAWAYS PROMOTED IN THIS BULLETIN

PRIZE VALUE	GIVEAWAY NUMBER	ENDING DATE*	PRIZE AWARDED BY:
\$10 Million	375	1/31/98	Winning Number
\$ 1 Million	265	7/31/97	Random Drawing
\$ 1 Million	450	7/31/98	Winning Number

*May be awarded earlier at our option.

Odds for winning Giveaway No. 265 are 1 in 50 million. For all other Giveaways, odds of winning depend on number of entries received.

How our SuperPrizes pay out. Win \$10,000,000.00 and you will receive \$500,000.00 the first year, \$250,000.00 a year thereafter, plus a final payment of \$2-1/2 million in the 30th year. Win \$1,000,000.00 and you will receive \$50,000.00 the first year, \$25,000.00 a year thereafter, plus a final payment of \$250,000.00 in the 30th year. Present value of these prizes will vary depending on interest rates and market conditions at time of each award.

Our Prize Patrol will notify winners of prizes of \$10,000.00 or more in person. We will contact winners of prizes under \$10,000.00 by mail. We'll consider the entrant named on winning entry form the winner. We must locate any winner and have him or her execute an affidavit of eligibility within 30 days or we will select an alternate winner. Acceptance of prize constitutes permission to use winner's name and photograph in television commercials and for other promotional purposes, unless otherwise noted.

Supervisors' determination of eligibility is final. Taxes are the winner's responsibility. Sweepstakes is open to residents of the U.S., Canada and the U.K. You may write in as often as you like to enter our current, ongoing Sweepstakes. Just mail each request separately. We are not responsible for lost, delayed or misdirected mail. We do not accept entries from a third party nor entries sent in bulk. Principals and employees of Publishers Clearing House, its affiliates, contest processors, their immediate families and Giveaway Supervisors are not eligible. All federal, state and local laws apply. To receive future Sweepstakes opportunities, or to obtain our most recent list of winners, just write to us at the address below and let us know.

ALL PRIZES GUARANTEED TO BE AWARDED
NO PURCHASE NECESSARY TO ENTER



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GOLD CLUB
101 WINNERS CIRCLE
PORT WASHINGTON, NEW YORK 11050



CONFIRMATION of ORDER & SWEEPSTAKES STATUS NOTIFICATION

Prepared exclusively for

CC906Fc

ORDER CONFIRMATION:
AMERICA'S GREAT NATIONAL PARKS
THANK YOU FOR YOUR ORDER. IT SHOULD ARRIVE SHORTLY.

**TIED TO
TWIN**

OFFICIAL SWEEPSTAKES STATUS: YOUR LAST ENTRY TIED TO WIN
\$1 MILLION WITH ALL OTHER TIMELY ENTRANTS

YOUR SUPERPRIZE NUMBER:
49 2787 6284 12

REQUIRED ACTION:
RETURN OF STATUS ACCEPTANCE FORM BY 6/23/97

EXTRA ONE MILLION DOLLAR ENTRY:
ACT NOW -- USE BONUS ENTRY STAMP FOR
ADDITIONAL BONUS ENTRY



SEE OFFICIAL RULES
FOR DETAILS

USA

048898W

MILLIONS OF WAYS TO SAY YOU'RE A WINNER



03H-88-04

Senate Permanent Subcommittee on Investigations

EXHIBIT # 4





Oct. 14, 1998

Dear Barbara,

*You're guaranteed to win a prize -
what a really great surprise.*

It's so nice when someone nice wins.

Hooray for you. What wonderful news.

We're ear-to-ear with grins!

*Best wishes
Daddy*

*Congrats!
Dave*



Here's the Prize Patrol in
action. Picture them at
your home if you win -
making you a millionaire!
Dastly



PUBLISHERS CLEARING HOUSE
WINNERS PRIZE DEPARTMENT



Dorothy Addeo
Content Director

David Sayer
Prize Patrol Director

C4356Wh

October 14, 1998

Dear [REDACTED]

There's nothing we enjoy more than saying to someone, "Congratulations! You're a guaranteed winner in the Publishers Clearing House Sweepstakes!" And now that someone is you, [REDACTED]! Just like we promised in a letter we sent you recently.

As a good friend of PCH you are definitely -- without a doubt -- going to win an all-cash prize, if we hear from you by November 19, 1998. You could even win \$5 MILLION on Dec. 18th!

Your win of \$5 Million in December would cap a busy year here at Publishers Clearing House. Dave has been on the road more times than I can count to give away millions of dollars -- beginning with the \$10 Million we awarded on Super Bowl[®] Sunday and the \$1 Million in August -- and he's not about to slow down for a minute. In fact, the next scheduled stop for Dave and the Prize Patrol could be your home at [REDACTED] and on December 18th to award a \$5 Million SuperPrize!

Just think: One minute you're going about your business, and then there's a knock at the door. It's the Prize Patrol! In that instant you've become a millionaire. And we're right there as it happens. (Who wouldn't love this job?)

I've even enclosed a photo of the Prize Patrol looking as if they're visiting your home, so you can picture what your winning moment would be like.

But first things first. We're ready to make out a prize check to you. We're just waiting to receive the enclosed Official Prize Award Guarantee to confirm your winnings. Although most folks will win \$1.00, your prize could be \$500.00, \$1,000.00, \$2,000.00, \$10,000.00, \$25,000.00, or as much as \$100,000.00! What's more, you could very well win our \$5 Million SuperPrize!

Isn't it wonderful when there's no way you can lose?

Congratulations again,

Dorothy

P.S. We're so excited about all of this that we're taking an early look on Friday, December 18th to see if the winning number has been returned. If you have sent back the winning number, the Prize Patrol will be visiting your home with the \$5 Million SuperPrize! So mail us your Prize Award Guarantee right away. After all, you have absolutely nothing to lose and everything to win!



Official Prize Award Guarantee

FOR YOUR RECORDS
Tear off and retain.

Guaranteed Cash Prize Winner

Entry returned

DATE
for November 19
deadline.

Items Ordered

PLACE
CERTIFIED WINNER
LABEL HERE
AND ORDER STAMPS BELOW

(IF NOT ORDERING - SEE OFFICIAL
RULES FOR ENTRY DETAILS.)

Publishers Clearing House is pleased to guarantee an all-cash prize to you because we are confident that you will meet the following conditions for winning. Please check all that apply:

- I reside at the address above;
- I am not directly related to any Publishers Clearing House employee;
- I have not won a major Publishers Clearing House prize prior to this Giveaway.

For the timely awarding of your prize, please return this form so it is received by Dorothy Addeo at Publishers Clearing House by November 19, 1998.

Dorothy Addeo *Daniel P. Doyle* *Eleonora McCormick*
 Dorothy Addeo Daniel P. Doyle Eleonora McCormick
 Contest Director Treasurer Secretary

You will be granted Free Inspection Privilege on any order you may place. An order will maintain your customer status at the highest level.



PLACE 1ST ORDER STAMP HERE	PLACE 2ND ORDER STAMP HERE	If not ordering, DO NOT USE THIS FORM. See Official Rules for entry details. NO PURCHASE NECESSARY.
PLACE 3RD ORDER STAMP HERE	PLACE LIFE ORDER STAMP HERE	

04

OFFICIAL RULES

Why we run our Sweepstakes. We run a Sweepstakes because it's fun and exciting and calls attention to our unbeatable magazine and merchandise offers. We give away millions of dollars in prizes every year. In total, we've awarded 125 MILLION DOLLARS since our Sweepstakes began in 1967, and the number keeps growing larger every year!

All entries received by November 19, 1998 are guaranteed to win one of the cash prizes promoted in Giveaway No. 599 and are eligible to win all other Giveaways listed below. This is the Final Round for Giveaway No. 581 which will end in a few short weeks and is separate from all previous entry opportunities. In Giveaway No. 599, most people will receive a check for \$1.00, you could win up to \$100 Thousand. You could even win \$10 Million. You may receive multiple entry opportunities in our ongoing Giveaways.

Why you were selected to receive this Bulletin. Since we can't mail to everybody, we set up certain qualifications as to what groups we will send Bulletins to and when. (All customers and friends with at least one merchandise order per year and/or one magazine order in the last 3 months gain annual membership in our President's Gold Club. All customers and friends with a magazine purchase within the past year gain annual membership in the President's Club. Those who write to us requesting admission will also be granted membership privileges.) Within each category we then select specific people based on the interest they've shown in receiving our mail. Thousands are eliminated when we go through this process because they do not meet the standards. But you did! That's why you're receiving the enclosed documents that could make you a millionaire!

How you could be selected a winner. You could win our \$10 Million or \$5 Million SuperPrize® (Giveaway Nos. 555 and 525) if you have the matching winning number and return it by the deadline. We'll take a special early look for the winning number for the \$5 Million SuperPrize® (Giveaway No. 525) and announce the winner on December 18, 1998 should the number come in from this Bulletin. If the winning number for any matching number Giveaway is not returned by the applicable deadline, we will award the base \$1 Million prize to an alternate winner in a second chance random drawing among all eligible entrants at Giveaway end. In the unlikely event a winning number is duplicated, there will be a random drawing among such duplicated numbers to determine the winner. You will win a Hawaiian Vacation valued at \$10,000.00 or the cash equivalent from Giveaway No. 581 if your entry is selected in a random drawing from among all eligible entries at Giveaway end. For Giveaway No. 599, all timely entrants from this Bulletin will win a prize by random drawing sometime during the next 12 months. Only one prize per entrant. Delivery of prize may be subject to subsequent prize choice. This presentation of Giveaway No. 599 is void in CT, WA, NV, VT and NC. Odds of winning depend on the number of entries received.

PRIZES	GIVEAWAYS PROMOTED IN THIS BULLETIN		
	GIVEAWAY NUMBER	ENDING DATE	WINNER SELECTED BY
\$10 Million	555	*1/31/99	Winning Number
\$ 5 Million	525	*7/31/99	Winning Number
\$10 Thousand	581	*12/31/98	Random Drawing
Additional Cash**	599	*3/31/99	Random Drawing

(* 1 @ \$100,000.00; 1 @ \$25,000.00; 3 @ \$10,000.00; 10 @ \$2,000.00; 1 @ \$1,000.00; 1 @ \$500.00; 1 @ \$100.00; 3,400,000+ cash prizes valued at \$1.00 each)

** Prize may be awarded earlier at our option.

How our prizes pay out. Win \$10,000,000.00 and you will receive \$500,000.00 the first year, \$250,000.00 a year thereafter, and \$2,500,000.00 in the 30th year. Win \$5,000,000.00 and you will receive \$250,000.00 the first year, \$125,000.00 a year thereafter, and \$1,250,000.00 in the 30th year. Present value of Giveaway Nos. 555 and 525 will vary depending on interest rates and market conditions at the time of the award. All other prizes will be paid in full by check at time of award.

How to enter our Giveaways. If your entry has an order, you get EXPRESS ENTRY; you don't have to do another thing - except return your Official Prize Award Guarantee with your Certified Winner label affixed by the deadline. If you're not ordering and would like to enter the Giveaways, you must follow these steps to enter. Use the enclosed Non-Order Entry Postcard. Remove the Identification Number Label from the Dorothy Addeo note and paste it in the space provided. Be sure to write in your full name and return address. To enter "Hawaiian Vacation" Giveaway No. 581, write your Final Round Entry Number on the same card. Then mail the Non-Order Entry Postcard to the following address: PUBLISHERS CLEARING HOUSE, ENTRY ONLY PROCESSING, P.O. BOX 5000, SYOSSET, NEW YORK 11791-5000. Your card must arrive by 11/19/98 to be eligible for all Giveaways promoted in this Bulletin and to claim your prize from Giveaway No. 599.

Our Prize Patrol will notify winners of prizes of \$10,000.00 or more in person. We'll contact winners of prizes under \$10,000.00 by mail. The entrant named on the winning entry form will be considered the winner. We must locate any winner and have him or her execute an Affidavit of Eligibility within 30 days or we will select an alternate winner. Acceptance of prize, unless otherwise noted, constitutes permission to use winner's name and photograph in television commercials and for other promotional purposes.

No strings attached to our prizes. When you win in a Publishers Clearing House Sweepstakes, the prize is yours absolutely free. We never require you to buy anything either before or after you win. If anyone asks you for money to claim a prize, don't be taken in by it. The real Publishers Clearing House Prize Patrol comes with flowers, balloons, champagne, and they give YOU the money - no strings attached.

Giveaway Supervisors' decisions are final. Taxes are the winner's responsibility. Sweepstakes is open to residents of the U.S., the U.K. and Canada. You may write in as often as you like to enter our current, ongoing Sweepstakes. Just mail each request separately. We do not accept entries from a third party nor entries sent in bulk. We are not responsible for lost, delayed or misdirected mail. Principals and employees of Publishers Clearing House, its affiliates, contest processors, their immediate families and Giveaway Supervisors are not eligible. All federal, state and local laws apply.

To receive future Sweepstakes opportunities, or to obtain our most recent list of winners, just write to us at the address below and let us know.

ALL PRIZES GUARANTEED TO BE AWARDED NO PURCHASE NECESSARY TO WIN

A SHIPPING & HANDLING CHARGE WILL BE ADDED TO ALL NON-MAGAZINE ORDERS AS FOLLOWS:	
AMOUNT OF PURCHASE	SHIPPING & HANDLING
Up to \$10.00	\$3.69
\$10.01 to \$17.00	\$4.99
\$17.01 to \$25.00	\$5.99
\$25.01 to \$45.00	\$6.99
\$45.01 and above	\$7.99

Applicable sales tax will be added in CT, MN, NY and WI.

Delivery insurance provided at no extra charge.

Merchandise will be shipped within 4-6 weeks or you will be notified.

Overdue payments may be subject to a late fee of \$1.50.

At Publishers Clearing House, we process orders the day they arrive and notify publishers and suppliers to start service immediately. Weekly magazines are in the mail to you in just 3 or 4 weeks - 5 at the most. Monthly magazines (and those published less frequently) take a few weeks more.

NOTE: TV GUIDE is unavailable in Puerto Rico and U.S. possessions. Subscription rates for NEWSWEEK vary in U.S. possessions. Write us, listing your address, and we'll advise you of the price.

CASH PRIZE GUARANTEE

Publishers Clearing House hereby guarantees that upon the timely receipt of your entry from this Bulletin, a cash prize will be delivered to you sometime during the next twelve months. Although most folks will win \$1.00, your prize could be \$100.00 ... \$500.00 ... \$1,000.00 ... \$2,000.00 ... \$10,000.00 ... \$25,000.00 ... even \$100,000.00 CASH! You could even win the \$5,000,000.00 SuperPrize® on December 18th. If you win \$10,000.00 or more, your prize will be delivered to you by the Publishers Clearing House Prize Patrol. If your prize is under \$10,000.00, you will be contacted by mail.



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PLEASE HELP ME!

EXHIBIT # 5

When your name came up as potential winner of the \$3,500,000.00 SuperPrize, we ran a check of your file to see that everything was in place for the cash award on October 15, 1997.

Unfortunately, we discovered that we have no record of a recent order from you. And that puts me in a very embarrassing position right before we're about to award our next prize.

Stamped across your file are the words "NO RECENT ORDER ACTIVITY: DROP FROM REGULAR MAILING LIST."

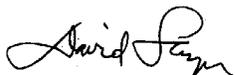
What an embarrassing thing to tell everyone watching the announcement:

"The \$3,500,000.00 SuperPrize winner is a stranger to the unbeatable deals at Publishers Clearing House ... and was about to be dropped from the list!"

So PLEASE help me out by ordering something now. It would be great if during your Winning Moment you could say,

"I just ordered from The Clearing House. They have great values. Winning \$3,500,000.00 is a pretty good deal, too."

PLEASE ORDER ... and make us both happy on what promises to be a really SUPER day!



David Sayer, Executive Director
Publishers Clearing House Prize Patrol

* If ordering from this Bulletin, you will NOT be dropped from the mailing list. Simply use the UPGRADE Label attached and we'll alert all the right people automatically.

If not ordering, please tell us in writing that you do not want to forfeit your mailing privileges and request that your name remain on our list.

If ordering, detach and use this label.

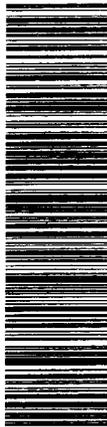


**FINAL REVIEW
PENDING**

08A

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BARCODE LABEL DO NOT DISCARD



FINDER CODE: 19ADLY08A

19ADLY08A



Bulk Rate
U.S. Postage
PAID
American Family
Publishers

1 9 8 5 7 6 3

DELIVERY

DAY DELIVERY

AFP MAIL
TUES.
10:31
A.M.
AFP MAIL

▼ DELIVERY POINT ▼

AXH

SUSAN COLLINS
P.O. BOX 655

BANGOR, ME 04402-0655



DEC 01 1998

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 6

- 1 Locate the large Barcode Label that has been specially applied to the front of the envelope these documents arrived in. This barcode consists of 97 lines of varying thicknesses and features a FINDER CODE running along the bottom edge. **The FINDER CODE below this barcode must match the FINDER CODE in Box 2 of your Instruction Form attached below.** (If the 2 FINDER CODES do not match, an error has occurred — contact us immediately to secure a new entry document).
- 2 After confirming that the two FINDER CODES match, **detach the Barcode Label from the envelope and affix as indicated in Box 1 of the Instruction Form below.**
- 3 **Detach, at minimum, 1 magazine stamp from the enclosed stampsheet and place in Box 3 of your Instruction Form** if ordering. If not affixing magazine stamp(s) in Box 3, do not use enclosed REPLY ENVELOPE to return your Instruction Form. See official rules for entry requirements.
- 4 **Sign the Instruction Form by the "X" in Box 6.** Be sure to check all boxes that apply.

Mail your REPLY ENVELOPE within the next 7 days via regular U.S. Mail. All monies will be awarded in strict

(continued on back)

12813-ADT19ZB008-1/1-SPR-C

▼ COMPLETE AS INSTRUCTED ABOVE, DETACH & MAIL IN ENCLOSED REPLY ENVELOPE ▼

19ADLY08A 098-39084 **INSTRUCTION FORM** OFFICIAL ENTRY

<p>BOX 1 Barcode Validation:</p> <p style="text-align: center;">Detach Barcode Label from front of Envelope and place here.</p>	<p>BOX 4 Current Status:</p> <p>Recipient's prize data on file: Final Review Pending for Confirmation Entry Number: H5269551567</p> <p>Prize: \$11,000,000.00 ELEVEN MILLION DOLLARS AND NO/100</p> <p>Instructions: INITIATE FINAL REVIEW</p>
<p>BOX 2 Finder Code:</p> <p style="text-align: center;">19ADLY08A</p>	<p>BOX 5 Issued to:</p> <p>Make any corrections in the area at right:</p> <p>Susan Collins P.O. Box 655 Bangor, ME 04402-0655</p> <p style="font-size: 2em; background-color: black; color: white; padding: 5px; display: inline-block;">08A</p>
<p>BOX 3 Order Validation:</p> <p>Place magazine stamps from stampsheet in spaces at right, no purchase necessary.</p> <p>PASTE 1ST MAGAZINE PASTE 2ND MAGAZINE</p> <p>DISCOUNT STAMP HERE DISCOUNT STAMP HERE</p>	<p>BOX 6 Authorization:</p> <p>Check all boxes that apply and sign your name below.</p> <p><input type="checkbox"/> I am 18 years of age or older. <input type="checkbox"/> I know of no restrictions to my eligibility. <input type="checkbox"/> I have never won a major prize from this agent.</p> <p style="text-align: center; font-size: 2em;">X</p> <p style="text-align: center;">SIGNATURE OF RECIPIENT</p>
<p>BOX 7 For Office Use Only:</p> <p>Do not make any stray marks in this area.</p> <p>HU19T06 146 094 7789</p>	

19ADAYCBA

OFFICIAL RULES • OVER 30,000 NEW WINNERS – GUARANTEED!

Simply follow the directions published in this offer. Your official sweepstakes numbers are to be compared against winning numbers which have been selected at random. In any of our matched number sweepstakes, if the pre-selected winning number is returned, the sweepstakes will terminate no later than six months after the return of such pre-selected winning number. Grand Prize in sweepstakes #40 will be awarded in matching number portion, and remaining prizes in random drawings. In the event grand prize(s) is not timely claimed in matching number portion of this offer, a random drawing will be made from all entries received to award unclaimed prize(s) at sweepstakes end. Some prizes may have additional eligibility requirements described in this mailing. Odds of winning determined by number of entries. Unclaimed prizes may be combined with other prizes. Entries are eligible for prizes only as promoted in mailings from which they come. Wherever a deadline is specified, entry must be received by deadline date to qualify.

TO ENTER: Detach Barcode Label from Envelope and affix to Box 1 of Instruction Form (after confirming that the Barcode Label Finder Code matches the Finder Code in Box 2 of the Form). Affix magazine discount stamp(s) to Box 3 and sign as indicated in Box 6. Detach 7-Day Response Requirement stamp from stampsheet and affix to front of Reply Envelope. Place Instruction Form in Reply Envelope and mail within 7 business days for priority order processing. **IF NOT ORDERING:** Affix Barcode Label to Box 1 of Instruction Form (after confirming that the Barcode Label Finder Code matches the Finder Code in Box 2 of the Form). Do not affix any order stamps and sign as indicated in Box 6. Place Instruction Form in your own envelope and also enclose a 3" x 5" card with the following handwritten in block letters: "AMERICAN FAMILY PUBLISHERS SWEEPSTAKES NO ORDER ENCLOSURE". Affix 7-Day Response Requirement stamp and the enclosed Non-Order Entry Bureau Address Label (or address to: American Family Publishers, P.O. Box 62117, Tampa, FL 33662-2117) to the front of your envelope and mail within 7 business days.

Sweepstakes end dates for sweepstakes #40 with \$10 MILLION grand prize, paid \$333,333 a year and prizes similar to and of same value as first through sixth listed below: 1/31/99 (est. odds of winning: 1:150,000,000); for sweepstakes #70 — \$1 MILLION prize: 1/31/99 (est. odds of winning: 1:150,000,000). Prizes may be awarded earlier at our option.

In addition, in sweepstakes #40, the following prizes (or equivalents) will be awarded: 1st prize (1 winner) Chrysler Concorde or Ford Mustang or Jeep Cherokee or \$25,000 cash (est. odds of winning: 1:150,000,000); 2nd prize (1 winner) European Vacation or equivalent cash value of \$5,000 (est. odds of winning: 1:150,000,000); 3rd prize (5 winners, each prize \$2,500 value) RCA Digital Camcorder, Snark Sunchaser Sailboat, Mitsubishi 50" TV, Lifefitness Treadmill or Sapphire and Diamond Tennis Bracelet (est. odds of winning: 1:30,000,000); 4th prize (10 winners, each prize \$1,500 value) Bose

Home Theater Music System or Zenith 32" Color TV (est. odds of winning: 1:15,000,000); 5th prize (50 winners) Sega Saturn Core System (\$250 value – est. odds of winning: 1:3,000,000); 6th prize (500 winners) Timex Indiglo Watch (\$30 value – est. odds of winning: 1:300,000). Also in this mailing for sweepstakes #40, there will be an additional prize from sweepstakes #70 of \$1 MILLION. If winner does not qualify for full amount, remainder may be redeemed by agreeing to appear in additional television commercials.

There will also be two annual special sweepstakes ending: (a) 1/31/99 (b) 1/31/00. Winners will be selected in annual drawings from all entries timely received. A single entry now makes you eligible in both special sweepstakes in each of which 15,000 prizes with a retail value of at least \$10 will be awarded (est. odds of winning: 1:10,000). Prizes include watches, pocket cameras, books, video tapes, audio tapes and radios. (In case of unavailability we and the independent judging organization reserve the right to substitute a prize of comparable retail value.) If a prize or prize notification is returned by the post office, the prize will be awarded to an alternate winner.

To receive future sweepstakes opportunities or a list of major prize winners just write to us at the address below.

Administrative supervision of this promotion, including selection of winning numbers and random drawings, is being administered by an independent judging organization whose decisions are final. Only entries sent by first class mail (32 cent stamp) are eligible. Entries sent by express mail or overnight service are not eligible. We are not responsible for postal delays or losses or for printing or other errors. No more than one entry per envelope. Any preselected winning numbers announced on TV will be retired before the next mailing and no longer valid. New numbers will be selected to replace them. Winner need not be watching TV announcement to win. In the unlikely event a winning number is duplicated by mistake, there will be a random drawing among such duplicated numbers to determine the winner. This sweepstakes is sponsored by American Family Publishers and affiliates. There may be different graphics and presentations of this offer under the same prize structure. No substitution by winners for prizes offered. Entry constitutes permission to use winners' names and likenesses for promotional purposes and winner's agreement to participate in semi-annual production of television commercials. Affidavit of eligibility and release may be required of major prize winners. If you have any questions concerning these sweepstakes please write to: American Family Publishers, 3000 University Center Drive, Tampa, Florida 33612-6408. This international offer open to all recipients except employees and their families of ours, the judging organization and their and our various affiliates, agencies and suppliers. All prizes guaranteed to be awarded.

©1998 AFP

NO PURCHASE NECESSARY TO ENTER OR WIN

CC

(continued from front)

accordance with the rules governing our sweepstakes.

We look forward to receiving your Instruction Form. Our processors are currently on standby. Final Review of your Confirmation Number is still pending -- you have 7 business days (counting today) to stake your claim to win the \$11,000,000.00 sum currently on reserve. Thank you.

Sincerely,



Dale Pennington
Chief Financial Officer
American Family Publishers

P.S. FINAL STEP BEFORE MAILING: Be sure to affix the 7-Day Response Requirement stamp to the front of the special Reply Envelope we've provided. (See the enclosed stampsheet for this stamp).

▼ COMPLETE OTHER SIDE, DETACH & MAIL IN ENCLOSED REPLY ENVELOPE ▼

19ADAY08A

**FINAL REVIEW PENDING FOR
CONFIRMATION NUMBER DISPLAYED
IN BOX 4 ON REVERSE**

TERMS:

- Bearer of pre-selected winning number is guaranteed to receive \$11,000,000.00.
- Bearer of this document is required to respond within the next 7 business days to confirm eligibility with this entry.
- All monies on reserve at Fleet Bank, N.A.
- Adult signature requested on reverse.
- Return in enclosed Reply Envelope only if attaching stamp(s) to Box 3 of reverse or response is voidable—see entry instructions in official rules if not attaching stamp(s).

The American Family Promise

American Family Publishers guarantees the following:

- Our magazine prices are always equal to the lowest prices available to the general public.
- All sweepstakes prizes are always awarded.
- No purchase is ever required to enter.
- All entries have an equal chance to win.
- Subscriptions can be cancelled at any time, money will be refunded for any unserved issues.
- Products can be returned for refund if unsatisfactory for any reason.

Over 250,000 winners to date, over seventy million dollars in prizes awarded. Terrific deals on magazines and merchandise. We stand behind our sweepstakes, and everything we sell.

19ADM7084
NON-ORDER ENTRY BUREAU
 AMERICAN FAMILY PUBLISHERS
 ATTENTION: D.P.
 PO BOX 62117
 TAMPA FL 33662-2117

▲ DETACH HERE ▲

PLACE
 POSTAGE
 STAMP
 HERE

\$11,000,000.00
 ELIGIBILITY GUARANTEED.

FINAL REVIEW

FOR ENCLOSURE INSTRUCTIONS TO
 INITIATE FINAL REVIEW ENCLOSED.



Detach 7-Day Response Require-
 ment stamp from stampsheet
 and affix above only if attaching
 postage stamp(s) to Box 3 of
 instruction form.

IF NOT ATTACHING MAGAZINE
 STAMP(S) DO NOT USE THIS
 RETURN ENVELOPE. See Official
 Rules for entry instructions.

DELIVERY POINT

AMERICAN FAMILY PUBLISHERS
 ATTENTION: D. P.
 PO BOX 62115
 TAMPA FL 33662-2115



NOTIFICATION DATE: FEBRUARY 18, 1998

OFFICIAL CASH PRIZE NOTIFICATION

CORRESPONDENCE CODE: 050 805 1927

URGENT NOTICE FOR [REDACTED]: YOU WERE DECLARED ONE OF OUR LATEST SWEEPSTAKES WINNERS AND YOU'RE ABOUT TO BE PAID \$833,337.00 IN CASH!

And, if you return the winning entry, the status of recent cash prize winners in sweepstakes we've presented would then read as follows:

A [REDACTED] \$833,337.00 WINNER ▲ **PRIZE MONIES HAVE BEEN AUTHORIZED FOR TRANSFER TO WINNER IN A SINGLE PAYMENT**

B JUANITA BARNES \$100,000.00 WINNER ▲ **FULL PAYMENT OF THE STATED PRIZE MONIES TO WINNER HAS NOW BEEN VERIFIED**

C WANDA FROST \$50,000.00 WINNER ▲ **FULL PAYMENT OF THE STATED PRIZE MONIES TO WINNER HAS ALSO BEEN VERIFIED**

ATTENTION [REDACTED]: YOU MUST TELL US WITHIN THE NEXT 10 DAYS HOW YOU WOULD PREFER TO BE PAID THE \$833,337.00!

We have secured funds to pay the amount of \$833,337.00 IN FULL, and we are waiting for your response. You are hereby directed to indicate whether you'd prefer a direct WIRE TRANSFER or CERTIFIED CHECK by mailing the entry enclosed with one of these seals attached WITHIN 10 DAYS!

WIRE TRANSFER
AM
INDIRECT
BANK

ADDRESS OF RECORD: [REDACTED] AJD

THIS NOTICE REFLECTS PAYMENTS MADE AS OF: 2/18/98

CONTENTS CERTIFIED BY: Elizabeth Mathews, Sweepstakes Dir.

ENTERTAINMENT WEEKLY PRESENTS THE GUARANTEED & BONDED

If you have and return the grand prize winning entry in time, we'll officially announce that ...

Senate Permanent Subcommittee
on Investigations

**YOU'LL QUALIFY FOR A \$100,000.00 BONUS
IF YOU RESPOND WITHIN 5 DAYS!**

EXHIBIT # 9

Take special note of the Bonus Award Validation Seal affixed to the front of this notice. Because if you act quickly and return your entry with the Bonus Award Validation Seal within 5 days, you'll be eligible to win a cash prize of \$100,000.00 -- in addition to the \$833,337.00. But your entry MUST be returned within 5 days. So respond at once. But first, take a moment to consider a sensational offer from TIME! Of course, there's no obligation to purchase anything to be eligible for a prize. But if you've ever thought about trying TIME, NOW is the time! Because THIS offer may be the most exciting offer we've ever made to anyone! To begin with,

**YOU'LL RECEIVE A FREE GIFT:
THE TIME HIS & HERS ELITE WATCH SET --
IF YOU ACT WITHIN 5 DAYS!**

This limited-time Free Gift offer is truly something special, and once you see the refined elegance of the TIME HIS & HERS ELITE WATCH SET, you'll agree! Designed to move from everyday to formal engagements with style and grace, the TIME HIS & HERS ELITE WATCH SET combines world-class sophistication with state-of-the-art quartz technology. From the moment you put it on your wrist, you'll admire the etched Roman numerals that highlight the lustrous gold-color face. And the exquisitely beveled hour and minute hands. Not to mention the supple leather-lined black band that's fully adjustable and perfect for any occasion. You could pay a good deal for such a superior timepiece in the local jewelry store. But the TIME HIS & HERS ELITE WATCH SET is yours ABSOLUTELY FREE just for trying TIME now and replying within 5 DAYS. We realize that this fabulous gift, all by itself, would be enough to tempt almost anyone to try TIME. But to make sure this offer is too good to resist, we're pulling out all the stops! So in addition to your FREE GIFT, the TIME HIS & HERS ELITE WATCH SET.

**YOU'LL SAVE 61% OFF TIME'S COVER PRICE WITH
YOUR SENIOR CITIZEN'S RATE -- AND ENJOY
TIME'S PREFERRED SUBSCRIBER'S ADVANTAGE!**

That's just \$1.15 an issue for a year of TIME -- 61% off the cover price! And you'll receive the Preferred Subscriber's Advantage. That means we will continue your subscription at the guaranteed savings off the cover price unless you tell us to stop. Send no money now. We'll bill you later in time to lock in savings in effect for each new subscription term. Of course you may cancel at any time and receive a full refund for any unmailed issues. And you'll get FREE HOME DELIVERY in the bargain. Plus all the news, all the information, all the in-depth analysis you need to keep pace with today's rapidly changing world -- from global events to national politics, from economics to education, from science and technology to entertainment. In short, if it's important to you, it's in TIME. And you'll understand it better than ever through TIME's comprehensive reports and unforgettable photographs. That's why TIME has won more awards than any other newsmagazine. And that's why 23 million people turn to TIME every week. So when you return your entry, be sure to locate the yellow SENIOR CITIZEN RATE SEAL on the enclosed flyer, and attach it to the back of the YES envelope to activate your SENIOR CITIZEN'S RATE! But whatever you do, be sure to return your entry WITHIN 5 DAYS! Because if you hold the grand prize winning entry,

**A BANK CHECK FOR \$833,337.00 IN CASH
WILL BE SENT TO YOU VIA CERTIFIED MAIL --
IF YOU RESPOND NOW!**

Remember, we are prepared to pay the entire \$833,337.00 cash amount in full. And we're waiting to receive your entry. But if you fail to respond, one thing is certain: someone ELSE will be awarded the Grand Prize -- because the Grand Prize is unconditionally guaranteed to be awarded whether we hear from you or not! So be absolutely certain to validate and return your entry now. And don't miss this opportunity to receive TIME at BIG SAVINGS along with AN EXCITING FREE GIFT!

Sincerely,



Elizabeth Matthews
Director of Sweepstakes

**YOU'LL QUALIFY FOR A \$100,000.00 BONUS
IF YOU RESPOND WITHIN 5 DAYS!**

Take special note of the Bonus Award Validation Seal affixed to the front of this notice. Because if you act quickly and return your entry with the Bonus Award Validation Seal within 5 days, you'll be eligible to win a cash prize of \$100,000.00 -- in addition to the \$833,337.00. But your entry MUST be returned within 5 days. So respond at once. But first, take a moment to consider a sensational offer from TIME! Of course, there's no obligation to purchase anything to be eligible for a prize. But if you've ever thought about trying TIME, NOW is the time! Because THIS offer may be the most exciting offer we've ever made to anyone! To begin with,

**YOU'LL RECEIVE A FREE GIFT:
THE ULTRONIC™ PANORAMIC CAMERA
& PHOTO ALBUM SET --
IF YOU ACT WITHIN 5 DAYS!**

You will be truly amazed at the spectacular wide-angle pictures you'll take with your ULTRONIC™ PANORAMIC CAMERA. But it's easy to capture all your special occasions in fabulous, panoramic full color with this lightweight, durable quick-shot camera. And the luxurious, matte-finish panoramic PHOTO ALBUM will protect your treasured photographs for a lifetime. This limited-time offer is yours FREE -- exclusively from TIME, just for trying TIME now and replying WITHIN 5 DAYS. We realize that this fabulous gift, all by itself, would be enough to tempt almost anyone to try TIME. But to make sure this offer is too good to resist, we're pulling out all the stops! So in addition to your FREE ULTRONIC™ PANORAMIC CAMERA & PHOTO ALBUM SET,

**YOU'LL SAVE 73% OFF
TIME'S COVER PRICE AND GET
TIME'S PREFERRED SUBSCRIBER'S ADVANTAGE!**

That's just 77¢ an issue for a year of TIME -- 73% off the cover price! And you'll receive the Preferred Subscriber's Advantage. That means we will continue your subscription at the guaranteed savings off the cover price unless you tell us to stop. Send no money now. We'll bill you later in time to lock in savings in effect for each new subscription term. Of course you may cancel at any time and receive a full refund for any unmailed issues. And you'll get FREE HOME DELIVERY in the bargain. Plus all the news, all the information, all the in-depth analysis you need to keep pace with today's rapidly changing world -- from global events to national politics, from economics to education, from science and technology to entertainment. In short, if it's important to you, it's in TIME. And you'll understand it better than ever through TIME's comprehensive reports and unforgettable photographs. That's why TIME has won more awards than any other newsmagazine. And that's why 23 million people turn to TIME every week. So when you return your entry, be sure to attach the FREE GIFT Seal and mail it in the YES envelope! But whatever you do, be sure to return your entry WITHIN 5 DAYS! Because if you hold the grand prize winning entry,

**A BANK CHECK FOR \$833,337.00 IN CASH
WILL BE SENT TO YOU VIA CERTIFIED MAIL --
IF YOU RESPOND NOW!**

Remember, we are prepared to pay the entire \$833,337.00 cash amount in full. And we're waiting to receive your entry. But if you fail to respond, one thing is certain: someone ELSE will be awarded the Grand Prize -- because the Grand Prize is unconditionally guaranteed to be awarded whether we hear from you or not! So be absolutely certain to validate and return your entry now. And don't miss this opportunity to receive TIME at BIG SAVINGS along with AN EXCITING FREE GIFT!

Sincerely,

Elizabeth Matthews

Elizabeth Matthews
Director of Sweepstakes

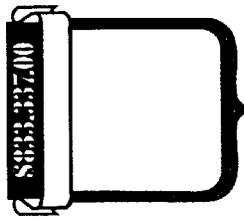
A5BD38 76TK9000 4MT1 60BR

GUARANTEED & BONDED

RESIDENT SWEEPSTAKES DECLARATION

If you have the Grand Prize winning number and return it by the deadline date, we'll announce:

D [REDACTED] G [REDACTED]-TCS4 IS OFFICIALLY DECLARED AN \$833,337.00 WINNER!



REGISTERED RECIPIENT:

D [REDACTED] G [REDACTED]-TCS4
ATTN 48010 PD2 120198 9902
TAMPA FL 33609-2754

T00459

And provided you have the winning number and it is returned by that date, our prize information will read:

NAME D [REDACTED] G [REDACTED]-TCS4	LOCATION RESIDENT OF U.S.A.	PRIZE VALUE \$833,337.00
<input checked="" type="checkbox"/> GUARANTEED WINNER <input type="checkbox"/> RUNNER-UP	<input checked="" type="checkbox"/> CRITERIA SATISFIED <input type="checkbox"/> CRITERIA FAILED	<input checked="" type="checkbox"/> PAYMENT DUE <input type="checkbox"/> PAYMENT DENIED

YOUR PRIZE CLAIM NUMBERS

UC0Y3GUB4 MHSBTKP53 ID4KGTG63
EATX2DA42 AG6V3OK05 OD9V9EY22

YES
REWARD ENTITLEMENT
**GRANTED &
GUARANTEED**



PLEASE
PLACE
POSTAGE
STAMP
HERE

COMPLETED INQUIRY
RESULTS ENCLOSED
DO NOT DELAY PROCESSING

**READER'S DIGEST
PO BOX 6156
MARION OH 43307-6156**

Alt. Sweepstakes Prize Selection
DEPIR/970YP



Senate Permanent Subcommittee
on Investigations

EXHIBIT # 11

NO

REWARD ENTITLEMENT

**DENIED &
UNWARRANTED**



PLEASE
PLACE
POSTAGE
STAMP
HERE

COMPLETED INQUIRY
RESULTS ENCLOSED
DO NOT DELAY PROCESSING

**READER'S DIGEST
PO BOX 2004
MARION OH 43307-2004**

185

Att: Sweepstakes Prize Selection
DEPT:R7970LNP



Senate Permanent Subcommittee
on Investigations

EXHIBIT # 13

Ronald J. Leslie
Sweepstakes Director

**So far over \$159 million dollars
has gone to over 2 million people who
answered "Yes" to our question...**

Ronald J. Leslie
Sweepstakes Director

LL-R7700-P1

**So far over \$159 million dollars
has gone to over 2 million people who
answered “Yes” to our question...**

I have a very important question for you...

“Do you want to win a lot of money?”

My guess is that you'll say “Yes!” But then again, I can't be sure. Because surprising as it seems, some people **actually turn down** the chance to win our Sweepstakes by failing to enter.

Perhaps they can't believe they could easily be lucky. Or that they really can win. But \$500,000.00 winners Donald and Elaine Semancik of Blackhawk, South Dakota did. And so did “Tax-Free” Million winners Bob and Joleen Strickler of Ransom, Kansas.

They were winners in two of our most recent Sweepstakes. Of course there have literally been **millions of other winners** of cash and prizes since 1962 — members of the Reader's Digest family just like you.

“Do you want to win a lot of money?”

Right now I am asking you the same question I've asked winners like Helen Huss of Salisbury, Missouri...Mildred Blakely of Midway, Florida...Barry Neeley of Imbler, Oregon...

I hope your answer is **“Yes, of course, I want to win a lot of money, Ron!”** Because if it is, I can promise that you have a chance to win more than one prize in your hands right now. Your Prize Settlement Entry gives you the chance to win the \$1,000,000.00 President's Prize and the \$500,000.00 Customer Appreciation Prize as well as over three million dollars worth of additional prizes. *But you must reply immediately!*

Your name has already been swiftly passed through the first two stages of the Sweepstakes — you were selected to take part in the First Stage, and you were allocated your Prize Settlement Entry document in the Second Stage. All that remains now is the drawing in the Final Stage that decides WHO wins and HOW MUCH.

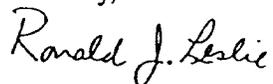
I'm sure you don't want to throw away your chance of being a

winner, do you? The next time I write one of these letters, I'd like to be able to say that **YOU have won \$1,000,000.00!**

But I must stress that your chance to win the maximum amount of money, over \$1,000,000.00, depends on you returning your Prize Settlement Entry by the early deadline of August 18, 1998. When you do you'll also have a chance at a "tax-free" cash bonus!

Good luck, and remember the word that every winner since 1962 has used. "Yes!"

Sincerely,



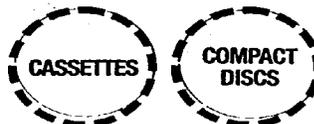
Ronald J. Leslie

Sweepstakes Director

P.S. Your Prize Settlement Documents are non-transferable, which means no other person or persons may legally use them. If you do not choose to return them for a chance to win **\$1,000,000.00** or any of the thousands of other prizes, please destroy these documents. Doing so will ensure that your documents are not used by a third party and will cancel your eligibility for all prizes.

Please punch out one of these circles.

IMPORTANT: To hear Cassettes, punch out the CASSETTES circle. To hear Compact Discs, punch out the COMPACT DISCS circle.



TOTAL VALUE: \$5,125,000.00

Please read the instructions below carefully before sealing this envelope.

**RESPOND TO OUR OFFER EARLY FOR
EXTRA CASH ELIGIBILITY**

YES Please send me **IN TUNE WITH NATURE** for a 7-day Free Trial, and my **FREE Four-In-One Calculator Portfolio**. I have punched out one of the circles on the flap indicating my choice of Cassettes or Compact Discs.

I may keep the Cassettes for \$49.96, payable in 4 monthly installments of \$12.49 each...or I may keep the Compact Discs for \$54.96, payable in 4 monthly installments of \$13.74 each...plus \$5.99 delivery and state tax, if any. **NO INTEREST OR CHARGE FOR CREDIT.** (Delivery charge will be added to my first installment.) Or, I may return them after 7 days and owe you nothing.

All orders subject to credit approval and acceptance by Reader's Digest. **SEND NO MONEY NOW.** (If you wish to send payment now, please use check or money order and include delivery and state tax, if any.)

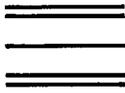
TO GUARANTEE MY CHANCE TO WIN the One Million Dollar President's Prize, or any of 20,142 other Sweepstakes Prizes, I am responding with my Prize Settlement Entry no later than the midnight, August 28, 1998 deadline.

**REPLY BY
AUGUST 18
FOR MAXIMUM
ELIGIBILITY**

PRIZE JUDGE TO EXAMINE
WINNING ENTRIES FOR
DEADLINE COMPLIANCE.



FIRST CLASS
DELIVERY GUARANTEED



PLEASE
PASTE
POSTAGE
STAMP
HERE

YES REPLY ENVELOPE

READER'S DIGEST - SWEEPSTAKES
PO BOX 6174
MARION OH 43307-6174

DEPT-R7700-YPI



TOTAL VALUE: \$5,125,000.00

Please read the instructions below carefully before sealing this envelope.

**RESPOND TO OUR OFFER EARLY FOR
EXTRA CASH ELIGIBILITY**

NO Please do not send me **IN TUNE
WITH NATURE** or my **FREE Four-in-One
Calculator Portfolio**.

NO, I do not wish to take advantage of your invitation to enjoy this music collection in the comfort of my home or car for a 7-day Free Trial.

(Should you decide to say **YES**, return your Prize Settlement Entry in the **YES** reply envelope after punching out one of the circles or the envelope flap to indicate choice of Cassettes or Compact Discs.)

TO GUARANTEE MY CHANCE TO WIN the One Million Dollar President's Prize, or any of 20,142 other Sweepstakes Prizes, I am responding with my Prize Settlement Entry no later than the midnight, August 28, 1998 deadline.

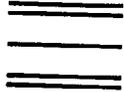
**REPLY BY
AUGUST 18
FOR MAXIMUM
ELIGIBILITY**



PRIZE JUDGE TO EXAMINE
WINNING ENTRIES FOR
DEADLINE COMPLIANCE.



FIRST CLASS
DELIVERY GUARANTEED



PLEASE
PASTE
POSTAGE
STAMP
HERE

READER'S DIGEST - SWEEPSTAKES
PO BOX 2003
MARION OH 43307-2003

DEPT-R7700-NP1



RE/ R'SDIGEST GUARANTEES:

**\$1,000,000.00
SETTLEMENT**

**PRESIDENT'S PRIZE
WINNER**

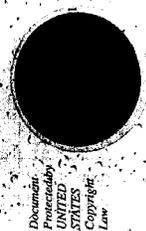
Eligibility Pending for:

FINAL STAGE ENTRY

REGISTERED & RECORDED
THIS 17TH DAY, IN THE MONTH
OF JULY, YEAR OF 1998.

EXAMINED & APPROVED BY:

6/26/98 *Quinn Nelson*
7/2/98 *Albert Hall*
7/15/98 *Ronald J. Leck*



IMPORTANT: Review document then
paste seal over shaded edges above.

DECLARATION OF INTENT TO AWARD

**PRIZE SETTLEMENT ENTRY
FOR POTENTIAL WINNER**

THE NAME: *Perfection* HAS BEEN PASSED THROUGH STRINGENT REVIEW FOR INCLUSION ON THE LIST OF POTENTIAL WINNERS APPROVED AND ELIGIBLE TO ACCEPT A MAJOR CASH PRIZE UPON SELECTION AS A WINNER.

ACCORDINGLY, THIS PRIZE SETTLEMENT ENTRY IS ISSUED AS A SWEEPSTAKES ENTRY, NOTIFICATION OF A SUBSTANTIAL CASH AWARD WITHIN 24 DAYS OF JUDGING WILL BE GIVEN IF YOU WIN. IT IS IMPERATIVE THAT YOU READ AND RETURN THIS SETTLEMENT AS YOUR ENTRY INTO THE SWEEPSTAKES IMMEDIATELY TO GUARANTEE CONFIDENTIALITY FOR PRIZE JUDGING. VALIDATE AND SEAL THIS DOCUMENT WITH THE GOLD LABEL ON THE COVER BEFORE MAILING NO LATER THAN **ADG-28, 1998.**

SWEESTAKES PRIZE SETTLEMENT GUARANTEED



FINAL STAGE
Prize Judge Will
Select All
Winners

SECOND STAGE
Entry Documents
Prepared & Imprinted

FIRST STAGE
Names Reviewed &
Assigned for Judges

Quinn Nelson
Albert Hall
Ronald J. Leck

R7700-1
03306-006
***** ADVTCR ** C043
99 05325 46642 44025 547 0



R7700P1

DECLARATION OF INTENT TO AWARD PRIZES

Dear

Your name appears on an exclusive list that has been thoroughly reviewed. We have determined that a customer of your caliber is entitled to an opportunity to win our \$500,000.00 Customer Appreciation Prize. This prize opportunity comes over and above your potential winner status for the \$1,000,000.00 President's Prize.

You are an exceptional customer, and you have made a good faith effort to comply with all Sweepstakes rules. Records show that you have entered our Sweepstakes in the past. You have sampled 21 or more of our products, including your most recent purchase of Elvis! His Greatest Hits. Nothing would please us more than to see such a valued customer rewarded with our \$500,000.00 Customer Appreciation Prize.

STRINGENT SELECTION CRITERIA PASSED

Having passed your name through our stringent selection criteria, you have reached the pivotal point that all of our previous President's Prize Winners attained before winning. Like them, you must therefore return your entry to confirm your chance to win. Reader's Digest is ready to settle if you are selected the \$1,000,000.00 President's Prize Winner. As proof of our intentions, we have sent you this Prize Settlement as entry into the Sweepstakes.

TAX-FREE MILLIONAIRE ALLOWANCE APPROVED

Please return your Prize Settlement Entry no later than the bonus deadline of August 18, 1998. If you are the next \$1,000,000.00 President's Prize Winner, you will immediately receive your first of 30 annual installments of \$33,334.00 at your California home, plus a tax allowance of \$21,855.00 each year, so you in effect, net your million dollars federally tax-free.

EVIDENCE OF ADDITIONAL BENEFITS APPROVED

You are also one of only 2 out of every 100 people in California to receive this unrestricted chance to win a \$25,000.00 Special Customer Cash Bonus now offered to you in this Prize Settlement Entry. It also confers the chance to audition our newest music collection - IN TUNE WITH NATURE, and receive a FREE Four-in-One Calculator Portfolio.

All President's Prize winners were given a chance to enter the Sweepstakes along with an offer for a Reader's Digest product. It's not required to sample our product to be eligible to enter and win, but our newest album is so exceptional that Reader's Digest is offering it to you now. You'll enjoy 80 beautiful songs combined with nature's own melodies.

Our music editors guarantee that you'll love these peaceful melodies. To audition IN TUNE WITH NATURE for a 7-day Free Home Trial and receive your FREE Four-in-One Calculator Portfolio, return your Prize Settlement Entry in the "YES" reply envelope as entry into the Sweepstakes. Punch out the circle on the envelope to indicate your choice of Cassettes or Compact Discs. We'll simultaneously process your request for the Free Home Trial and your Prize Settlement Entry for maximum prize opportunity.

You may elect to enter the Sweepstakes without accepting our offer by using the "NO" reply envelope. We'll still process your Prize Settlement Entry as described above. However, when you respond promptly by enclosing your Settlement Entry in the "YES" envelope, you won't be missing out on this premier customer-only opportunity to enjoy a 7-day Free Home Trial of some of the world's best music along with a FREE Four-in-One Calculator Portfolio.

You may return IN TUNE WITH NATURE and owe us nothing if not completely satisfied. When you keep it, it's only \$49.95 for Cassettes, payable in 4 easy monthly installments of \$12.49 each, or \$54.95 for Compact Discs, payable in 4 easy monthly installments of \$13.74 each. Plus delivery. (When responding in the YES envelope there is no interest or charge for credit.)

To insure confidentiality, and to confirm your "tax-free" opportunity when responding early, validate and seal this Prize Settlement Entry by removing the "Potential Winner" Label from the front of this document. Then paste it over the edges where indicated.

Sincerely,

Ronald J. Leslie
Sweepstakes Director

ADDENDUM: Respond quickly -- by August 18 -- and if your Prize Settlement is selected \$1,000,000.00 Winner, you'll also receive extra cash so your million is "tax-free!"

INVENTORY AND APPRAISEMENT

PRIZE MONEY ALLOTTED FOR DISTRIBUTION

State of: }
 City of: }
 Eligible Entrant: }

This is a full inventory of the prizes in the Sweepstakes. Any of these prizes could be won by the above named with this Prize Settlement Entry. Sweepstakes and payment of prizes are authorized by all applicable federal and state laws.

Approved by me at Pleasantville, New York, this 17th day of July, 1998.

W. H. Magill
Asst. Treasurer

	DESCRIPTION OF WINNINGS <small>Official Prize List</small>	APPRAISED VALUE
REPLY BY		
12/198	President's Prize Sweepstakes (969): Payable in 30 annual installments of \$33,334.00 each. Guaranteed wealth and lifetime financial security.	\$1,000,000.00
7/8/98	Tax Allowance with President's Prize payable as \$21,855.00 each year for 30 years, until winner nets \$1,000,000.00. Free and Clear of all Federal Income Tax.	\$ 655,650.00
7/8/98	President's Bonus payable in one lump sum of \$100,000.00 upon award of President's Prize.	\$ 100,000.00
	\$500,000 Customer Appreciation Prize (980): Payable in 1 lump sum of \$500,000.00 cash. Open only to previous customers of Reader's Digest.	\$ 500,000.00
	\$450,000.00 Sweepstakes (929):	\$ 450,000.00
	(1) First Prize of \$250,000.00	\$ 250,000.00
	(2) Second Prizes of \$25,000.00	\$ 25,000.00
	(3) Third Prizes of \$15,000.00	\$ 15,000.00

DISPOSITION OF WINNERS' ENTRIES

FORM: AD-R7700-P1B

RE: WINNERS' SERVICES DT: July 17, 1998

STATUS: Official policy



NOTICE:
AS A FREE SERVICE FOR THE
\$1,000,000.00 WINNER, THE
SWEEPSTAKES DEPARTMENT
WILL GIVE THE WINNER
A FRAMED COPY OF THE
PRESIDENT'S PRIZE ENTRY
DOCUMENT (PLEASE COMPLETE
THE FORM BELOW)



Authenticated copy of winner's entry certificate would be framed in 18K gold or polished oak.

CONTROL NUMBER:
770073098

Reader's Digest, Pleasantville, NY

▼ ▼ ▼ Fill out the Form below. Detach and return. Keep pink copy for your records. ▼ ▼ ▼

54

COMPLETE AND RETURN FORM WITH ENTRY.
WINNER'S ENTRY REQUEST FORM (VALID ONLY IF SELECTED WINNER)

PLEASE CHECK APPROPRIATE BOX.
Please send an authenticated, framed copy of my entry document with my PRIZE CHECK if I am the \$1,000,000.00 Winner. I have indicated my choice by checking one box below. There is no charge for this service.

- 18 KARAT GOLD FRAME (18 PARTS PURE GOLD, 6 PARTS SILVER/COPPER ALLOY, WORTH APPROXIMATELY \$4,500) PLUS PRESIDENT'S PRIZE MONEY
- OR
- POLISHED OAK FRAME PLUS PRESIDENT'S PRIZE MONEY PLUS \$4,500.00 ADDITIONAL IN LIEU OF GOLD FRAME. (WINNER'S INITIALS ENGRAVED ON EITHER FRAME.)



PLEASE WRITE IN APPROPRIATE INITIALS.

Engrave my initials on the frame for my entry if I am the \$1,000,000.00 Winner. My initials as I would like them to appear are:

Three empty boxes for initials:

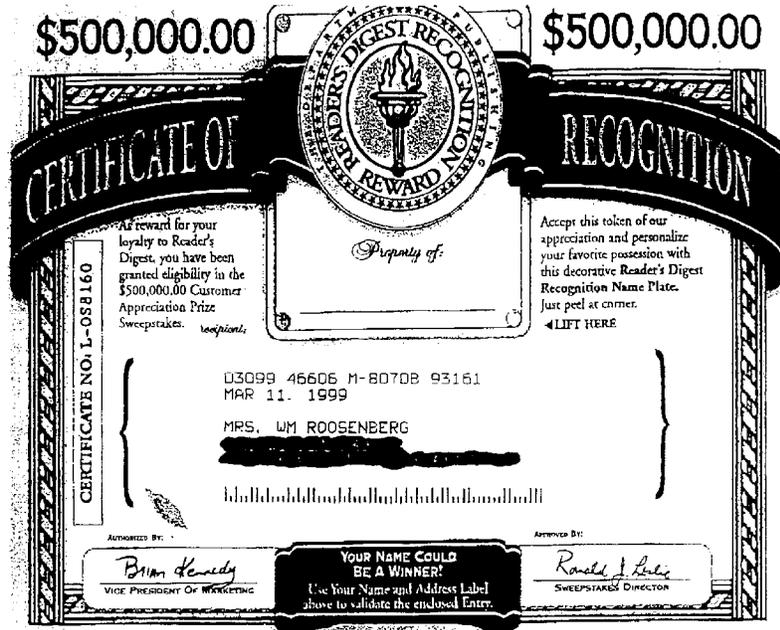
(UP TO 3 INITIALS ONLY)

PROCESS IMMEDIATELY

To secure this request for your framed entry if you are the \$1,000,000.00 winner, detach and RETURN THIS FORM IMMEDIATELY WITH YOUR PRIZE SETTLEMENT ENTRY. (Keep pink copy for your records.)

PRIZE JUDGE: Kindly forward this request to corporate art department, together with authenticated color copy of entry document, if Prize Settlement Entry is selected by you as the Reader's Digest President's Prize Winner.

AD-R7700-P1A



Dear Valued Customer:

GOOD NEWS! You've been selected to receive one of our highest honors — The Reader's Digest Recognition Reward. It's your obvious love of Reader's Digest and Sweepstakes that made you an ideal candidate. In fact, it was your recent subscription request that finalized our decision.

The Reader's Digest Recognition Reward is simply our way of saying "Thank You" for your loyalty. The Certificate of Recognition above is a symbol of that appreciation and much more. Within its borders is a FREE GIFT. In addition, you'll also find a way to guarantee your chance to win FIVE HUNDRED THOUSAND DOLLARS, payable as \$500,000.00 CASH.

Your name and address are critical to validating your Official Entry and guaranteeing your chance to win \$500,000.00 in the Customer Appreciation Prize Sweepstakes (see enclosed). To validate the enclosed Entry, peel your Name and Address Label off your Certificate of Recognition, affix it to your Official Entry and return it before the deadline date printed near your name.

The next "Good News" you may hear is the announcement of a big win! Imagine all the things you could do with \$500,000.00 CASH...buy a new car...invest in real estate...or cruise around the world. As a winner of the Customer Appreciation Prize Sweepstakes, you could lead the life of leisure you've always dreamed about.

But why wait? Begin your life of leisure today with some superb products. I've enclosed highlights of 10 of our best. Review the titles...I'm sure at least one will pique your interest (see inside for ordering information).

The Reader's Digest Recognition Reward also entitles you to a FREE GIFT. Attached to the above Certificate is a Reader's Digest Recognition decorative Name Plate. Simply peel the Name Plate off the Certificate, place it on one of your favorite possessions and write your name on the line provided. The Name Plate will serve as a constant reminder of our appreciation, while letting everyone else know you're a Reader's Digest Recognition Reward recipient.

You've earned every bit of the recognition you've received today and if you act quickly, your Sweepstakes eligibility could double. Look inside for details on how to increase your potential winnings to \$1,000,000.00. And be sure to enjoy all the rewards that only a Reader's Digest subscription can provide.

Good Luck.

Brian Kennedy
Vice President, Marketing

THE READER'S DIGEST ASSOCIATION, INC.
PLEASANTVILLE, NY 10570

FOR DELIVERY TO WINNER ON:
FRIDAY

Full payment is guaranteed to the person named below if this Sweepstakes is chosen Customer Appreciation Award Week Winner.

PAY \$100,000.00

INSTANT CASH

Let it be known that an amount valued at \$20 million in cash and surety bonds has been established to guarantee payment of all Sweepstakes prizes.

FRIDAY 006980*025

THIS IS NOT A CHECK

W.H. Magill
ASSISTANT TREASURER

SPECIMEN NON-NEGOTIABLE

PKI-058120-A

Customer Appreciation Award Week

\$500,000.00

WEEKEND BONUS CERTIFICATE

Your Award Week wouldn't have to end on Friday. Validate your Sweepstakes and this Certificate and return them 10 days before the deadline printed on your Validation Seal. An additional \$500,000.00 Weekend Bonus check will be delivered to your home on SATURDAY should you win. By the end of the week your checks would total:

ONE MILLION DOLLARS

\$500,000.00 CUSTOMER APPRECIATION AWARD WEEK VALIDATION SEAL

0309946606131A116DM014
MRS. J.M. ROSENBERG

0388A01AX401
131A116DM01

PLACE FIRST STAMP HERE

PLACE SECOND STAMP HERE

PLACE THIRD STAMP HERE

PLACE FOURTH STAMP HERE

I have purchased from you all the books you have listed.

See reverse for order information.

THE READER'S DIGEST ASSOCIATION, INC.
PLEASANTVILLE, NY 10570

FOR DELIVERY TO WINNER ON:
FRIDAY

Full payment is guaranteed to the person named below if this Sweepstakes is chosen Customer Appreciation Award Week Winner.

PAY \$100,000.00

INSTANT CASH

Let it be known that an amount valued at \$20 million in cash and surety bonds has been established to guarantee payment of all Sweepstakes prizes.

PLACE FRIDAY LABEL HERE

THIS IS NOT A CHECK

W.H. Magill
ASSISTANT TREASURER

SPECIMEN NON-NEGOTIABLE

PK-058120-4

Customer Appreciation Award Week

\$500,000.00

WEEKEND BONUS CERTIFICATE

Your Award Week wouldn't have to end on Friday. Validate your Sweepstakes and this Certificate and return them 10 days before the deadline printed on your Validation Seal. An additional \$500,000.00 Weekend Bonus check will be delivered to your home on SATURDAY should you win. By the end of the week your checks would total:

ONE MILLION DOLLARS

\$500,000.00 CUSTOMER APPRECIATION AWARD WEEK VALIDATION SEAL

20429914930060145DM004
MRS. G. ROSENBERG

0388-01RX401
0060145DM00

PLACE FIRST STAMP HERE

PLACE SECOND STAMP HERE

PLACE THIRD STAMP HERE

PLACE FOURTH STAMP HERE

I have purchased from you everything listed

See reverse for order information.

80894

HUDSON

Armored Car & Courier
Service of Westchester, Inc.

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 16

R7656-1
0462341 01469 74944
Mr. Allan J. Carter
5827 Dawn Ridge Dr.
Troy, Mi 48098-5117

Dear Mr. Carter:

Reader's Digest has informed me that you are among a selected group and are probably as close as ever to winning a major cash prize in the \$5,600,000.00 Sweepstakes. That is why I have been authorized to ask how you would take delivery of your prize money if you are a winner.

Enclosed with this letter are personalized Prize Delivery Instructions prepared by the Reader's Digest Prize Distribution Center for Final Stage entrant, Mr. Allan J. Carter.

These Prize Delivery Instructions are your guaranteed entry into the Final Stage of the Sweepstakes. Because you may be as close to winning as ever before, return them immediately to Reader's Digest after indicating whether you would want prize money delivered to 5827 Dawn Ridge Dr. in Cash or Cashier's Check. (Send the blue original only. Save the pink copy for your records.)

Reader's Digest customarily mails prize checks to major cash winners. However, they feel winners might prefer to have their prize money delivered to their homes -- in person -- as soon as possible. Therefore, Hudson Armored Car & Courier Service of Westchester, Inc. has been retained to deliver Cash or Cashier's Check directly to the major cash winners' homes.

According to Reader's Digest, names have been identified and selected in the First Stage. In the Second Stage, Prize Delivery Instructions entitling you to entry have been issued in your name.

(over, please)

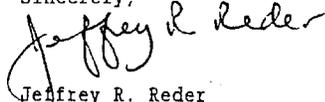
To enter the Third and Final Stage, when all winners are chosen, you must do this now:

- 1) Register your preference for delivery of prizes by placing your initials in the appropriate boxes on your Prize Delivery Instructions. (Note: Because you could win a valuable Sweepstakes watch, also indicate your choice of style on the form.)
- 2) Then, to affirm your prize delivery preferences, sign and date the form where indicated.
- 3) Enclose the Instructions in either of the two reply envelopes and mail no later than midnight, July 24.
- 4) Accelerate the process for a \$100,000.00 Bonus Award in addition to the Grand Prize! Mail by July 14th after enclosing the green Prize Registration Authorization Card. You'll find the card on the back of the envelope these documents arrived in.

Prepare to open your door to a delivery of \$66,667.00 in Cash or Cashier's Check via Hudson Armored Car & Courier Service of Westchester if you are the next TWO MILLION DOLLAR Grand Prize winner! Another \$1,933,333.00 would follow in 29 annual installments. If selected a major cash winner, you could also receive personal delivery of one of dozens of other cash prizes, including a \$250,000.00 First Prize, in Cash or Cashier's Check.

At this point it is vital that you return your Prize Delivery Instructions to Reader's Digest as soon as possible. If you are a winner, this will enable their Prize Distribution Center to contact my company in time to make all necessary arrangements for delivery of your money.

Sincerely,



Jeffrey R. Reder
President
Hudson Armored Car & Courier Service
of Westchester, Inc.

P.S. There is only *one month* between the selection of major cash winners and the delivery of prizes. Return your Prize Delivery Instructions now -- save the pink copy for future reference.

Reader's Digest

EXHIBIT # 17a.

Check #	Date	Amount
6221	1/13/98	\$24.31
6223	1/14/98	\$22.23
5936	1/24/98	\$89.90
5940	1/28/98	\$34.95
5946	1/29/98	\$132.39
5956	2/9/98	\$70.38
5957	2/9/98	\$55.38
5958	2/10/98	\$63.25
5972	2/24/98	\$24.31
5978	3/2/98	\$453.56
5986	3/7/98	\$16.97
5988	3/10/98	\$852.33
6006	3/24/98	\$22.23
6009	3/25/98	\$20.96
6030	4/15/98	\$24.31
6032	4/17/98	\$275.61
6038	4/20/98	\$16.46
6045	4/25/98	\$508.60
6251	5/22/98	\$22.23
6259	5/27/98	\$486.64
6270	6/2/98	\$1380.30
6287	6/7/98	\$21.17
6292	6/8/98	\$24.31
6296	6/10/98	\$683.49
6316	6/25/98	\$913.77
6320	6/25/98	\$34.95
6331	7/1/98	\$445.53
6342	7/7/98	\$16.70
6359	7/18/98	\$25.11
6360	7/18/98	\$22.23
6372	7/23/98	\$212.25
6429	8/7/98	\$24.62
6434	8/11/98	\$680.69
6447	8/19/98	\$21.17
6495	9/3/98	\$419.84
6496	9/5/98	\$34.95
6386	9/30/98	\$818.90
6395	10/5/98	\$24.62
6546	10/14/98	\$24.67
6559	10/19/98	\$1297.63
6577	10/29/98	\$34.95
6582	11/2/98	\$21.17
6587	11/4/98	\$481.21
6598	11/9/98	\$39.43
6601	11/10/98	\$21.49
6602	11/12/98	\$455.34
6610	11/16/98	\$29.95
6651	12/5/98	\$24.62
6683	12/15/98	\$735.80

Check #	Date	Amount
6686	12/16/98	\$24.46
6710	1/5/99	\$21.49
6715	1/9/99	\$34.95
	Total	\$12268.36

Reminder Notice For Mrs. Wm Rosenberg

Dear Mrs. Rosenberg:

This reminder has been sent to jog your memory as we have not yet received any payment for the products listed below. Your account is now overdue.

Please mail payment along with the above bill in the envelope. If you have paid in the last two weeks, ignore this notice. Your account is being credited now. If you have not paid, please do so today.

Sincerely,

Carol Slater,
Customer Service Representative

ITEM CODE	NEW PURCHASES	PRICE	TAX	DELIV. CHARGES	BALANCE	INSTALL
02046	HOW WAS IT DONE BOOK.....	29.97	2.10	4.99	37.06	17.08
02239	FOODS HARM FOODS HEAL.....	29.97	2.10	4.99	37.06	17.08
16026	HOW TO USE THE WORLDWIDE WEB	22.99	1.62	3.98	28.59	13.27
21156	FESTIVAL OF WBL MUSIC.....	54.96	3.60	4.99	63.55	22.33
21067	SENT SONGS WILL LIVE FOREVER	54.96	3.60	4.99	63.55	63.55
21023	JOHN DENVER/GREATEST HITS...	44.96	3.00	4.99	52.95	19.23
21163	I BELIEVE/BEST LOVED STARS...	54.96	3.60	4.99	63.55	22.33
22042	LIAR LIAR.....	22.98	1.59	3.49	28.06	12.74
22075	FIDDLER ON THE ROOF.....	24.99	1.77	4.49	31.25	14.59
22195	GREATEST STORY EVER TOLD.....	29.97	2.07	4.49	36.53	16.55
22065	LEARN WINDOWS/TIPS & TRICKS.	22.99	1.59	3.49	28.07	12.75
29107	SEVEN BRIDES SEVEN BROTHERS.	19.98	1.41	3.49	24.88	14.89
29038	DIANA: QUEEN OF HEARTS.....	29.97	2.01	3.49	35.47	15.49
29207	JOHN DENVER.....	29.97	2.01	3.49	35.47	15.49
29174	AIR BUD.....	19.98	1.41	3.49	24.88	11.56
29175	NATIONAL VELVET.....	22.98	1.59	3.49	28.06	12.74
45003	COUNTRY PAINTING TRADE.....	24.99	1.74	3.98	30.71	14.05
65229	ANDY HARDY COLLECTION.....	39.96	2.67	4.49	47.12	17.15

ITEM CODE	PREVIOUS PURCHASES	TOTAL AMOUNT	CREDITS THRU-05/28	PAST DUE AMOUNT	BALANCE DUE	INSTALL DUE
02177	GUIDE TO GARDENING.....	31.78	23.45	.00	8.33	8.33
02009	LILLIAN BRAUN CAT MYSTERIES.	29.60	21.62	.00	7.98	7.98
02240	KITCHEN SECRETS.....	34.94	16.30	.00	18.64	9.32
02648	OUTRAGE COMPLETE WORD FINDER.	36.00	17.06	.00	18.94	9.32
02241	HOME MADE BEST MADE.....	37.06	17.08	.00	19.98	9.99
10211	THE NUTTY PROFESSOR.....	28.06	12.74	.00	15.32	7.66
10004	SMITHSONIANS.....	111.78	.00	36.81	111.78	61.80
16027	AUDUBON BIRDFEDER.....	30.65	22.34	.00	8.31	8.31
16142	RUTH, A PORTRAIT.....	27.47	20.16	.00	7.31	7.31
16175	COUNTRY RAG CRAFTS.....	30.65	22.34	.00	8.31	8.31
16013	AMELIA PEABODY MYSTERIES.....	30.14	14.18	.00	15.96	7.98
16128	BARBARA MICHAELS SILHOUETTES	31.22	14.58	.00	16.64	8.32



ITEM CODE	PREVIOUS PURCHASES	TOTAL AMOUNT	CREDITS THRU-05/28	PAST DUE AMOUNT	BALANCE DUE	INSTALL DUE
16176	MARY STEWART COLLECTION.....	25.37	12.07	.00	13.30	6.65
16014	MISS MARPLE.....	27.50	12.86	.00	14.64	7.32
21023	JOHN DENVER/GREATEST HITS....	52.95	30.47	.00	22.48	11.24
21023	JOHN DENVER/GREATEST HITS....	52.95	30.47	.00	22.48	11.24
22016	STORY OF AMERICA.....	69.38	39.40	.00	29.98	14.99
22101	CHARLTON HESTON PRES BIBLE...	57.72	32.74	.00	24.98	12.49
22134	ANNIE.....	24.88	14.89	.00	9.99	9.99
22046	RIVER DANCE.....	30.19	.00	13.53	30.19	21.86
22150	MRS MINIVER.....	24.88	.00	24.88	24.88	24.88
22239	ARMEGEDDON & 7 SIGNS CHRIST.	36.53	.00	16.55	36.53	26.54
29215	MOTHER.....	24.88	5.44	.00	19.44	9.99
29039	NATURE'S RAGE.....	46.06	26.08	.00	19.98	9.99
29203	HARVEY.....	24.88	14.89	.00	9.99	9.99
29217	MY BEST FRIEND'S WEDDING....	30.19	13.53	.00	16.66	8.33
29180	OLD YELLER.....	28.06	12.74	.00	15.32	7.66
29157	COAL MINER'S DAUGHTER.....	28.06	.00	12.74	28.06	20.40
45062	INDOOR PLANTS TRADE.....	37.06	27.07	.00	9.99	9.99
65173	ON THE ROAD W/O KURALT.....	58.78	33.80	.00	24.98	12.49
65173	THE WIND IN THE WILLOWS.....	52.42	.00	18.70	52.42	29.94

*(1st installment includes tax & delivery)

Billing date 05/28/98	Minimum Due \$753.48
Your account #: 03099 46606	TOTAL DUE \$1380.30 <i>pd June 2, 1998</i>





SWEEPSTAKES REPORT

If you have not returned the Grand Prize winning number, we'll officially announce that

JOSEPH P MCELLIGOTT-ESTATE HAS WON \$1,666,675.00

AND PAYMENT IS SCHEDULED TO BEGIN

and then the list of Major Prize winners in sweepstakes presented by LIFE, will read as follows:

REGISTRANT	PRIZE AMOUNT	PAYMENT STATUS
JOSEPH P MCELLIGOTT-ESTATE	\$1,666,675.00	PAYMENT TO BEGIN
MARY HOLDRIDGE	\$1,000,000.00	PAYMENT IN PROGRESS
ROBERT RIDDLE	\$1,000,000.00	PAYMENT IN PROGRESS

URGENT MESSAGE FOR JOSEPH P MCELLIGOTT-ESTATE
 Payment of the JOSEPH P MCELLIGOTT-ESTATE \$1,666,675.00 is guaranteed to be made provided that you validate your entry with the Grand Prize seal and

Register: JOSEPH P MCELLIGOTT-ESTATE
 5528 OLD BULLARD RD STE 107
 TYLER TX 75703-4362

Register claim #
 UC37
 EB03
 1110
 AG90
 107

Senate Permanent Subcommittee on Investigations

EXHIBIT # 18

**PICTURE OF DR. KAROL CARTER'S
FATHER'S BASEMENT**



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Chicago Tribune

[View Related Topics](#)

February 22, 1999 Monday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 1; ZONE: N

LENGTH: 1298 words

HEADLINE: GIVEAWAYS' ODDS DRAW LAWMAKERS

BYLINE: By Bonnie Miller Rubin, Tribune Staff Writer.

BODY:

After 20 years of faithfully entering mail-in sweepstakes, Henry **Rohrer** was sure his diligence finally would be rewarded.

Last September, the 74-year-old retired miner said he received a phone call from a Publishers Clearing House employee saying he was "definitely a cash winner." A month later, the company notified him of his \$5 million prize and included an affidavit, which needed to be signed to claim his windfall.

He mailed that back along with a \$38 check for a ceramic angel, one of many products offered in the sweepstakes mailing. The company spokesman said it was not necessary to purchase anything to win, **Rohrer** related, but that it would be "nice if we could say you like our products when the Prize Patrol comes to the door."

With the paperwork, **Rohrer** also included a hand-drawn map to his home in rural Canton, Ill.

On the day the **Rohrers** believed the money would be delivered, Henry and his wife, Shirley, a part-time cafeteria worker, sat in their tidy living room and waited. And waited. Finally, some six hours later, they turned off the porch light and went to bed.

"I felt totally disgusted," he said. "I'm just tired of all the promises. Over the years, we've probably spent hundreds of dollars and have nothing to show for it but a bunch of junk."

While mega-million promotions have been around--and under suspicion--for decades, only recently have lawmakers decided to fight back. The advent of slick, sophisticated marketing techniques and solicitations that mimic official government documents and personalized, negotiable checks have underscored the need for stronger legislation to protect consumers--particularly senior citizens, they say.

"As it stands now, the sweepstakes industry isn't winning any prizes for clarity," said U.S. Sen. Dick Durbin (D-Ill.), who co-sponsored a bill recently introduced in Congress to sharpen the teeth of current postal statutes.

But beyond the alleged deceptive language, lawmakers also are concerned about implicit suggestions that the entrants needs to make purchases to increase the odds of winning. The angel, miniature lighthouses (\$19.95, plus \$4.49 shipping and handling), mops, cassettes and dozens of magazine subscriptions are viewed as a small price to pay for admission to Easy Street.

But it rarely happens. Despite the urgent advisories promising that (Your name here) is just "a few weeks away from being confirmed the lucky winner," you have a better chance of being hit by lightning.

For some older Americans, the practice has become an obsession that jeopardizes savings and squeezes out such basic needs as food and heat.

In a widely publicized case last year, an 81-year-old California man made his second trip to Tampa--home to American Family Publishers--clutching a letter that declared: "You're our newest \$11 million winner." What he missed was the fine print that said he could collect only if he had a winning number--the same sort of disclaimer that had misled the **Rohrers**.

"It just breaks your heart," said Brenda Geoghagan, spokeswoman at Tampa International Airport, who estimated that about 20 such elderly travelers come to claim their fortunes each year.

In all cases, airlines have picked up the tab for the fare home, "but it's still very upsetting to us," she said. "Would you want your grandparents treated this way?"

You don't have to travel cross-country to be disappointed. Joffre Leggett, 80, who lives not far from the Tampa airport, has spent about \$6,000 over the last two years on magazine subscriptions--including *In Style* and *Esquire*--despite not having enough money for heat or to get his car out of the shop.

"I thought it would increase my chances of winning," said the former chauffeur, who lives alone and is on military disability for a condition he said is related to epilepsy. "I even got a letter that said the Prize Patrol would be here at 10 p.m. . . . But around midnight, I just gave up."

After the situation became public, Publishers Clearing House agreed last week to reimburse Leggett, pending return of the purchases.

"I'll believe it when I see it," he said of the refund.

The company--which sells household products and collectibles, as well as magazines--defends its practices..

"We believe the mailings are very clear," said Christopher Irving, director of consumer affairs for the Port Washington, N.Y.-based firm. "Of course, like any direct-mail company, we try to make our mailings look as attractive as possible. This is an opportunity . . . and most consumers certainly understand that no purchase is necessary. Problems like these are minuscule compared to the millions of people who respond each year."

(Leggett is off the mailing list and a block has been put on his name to prevent him from making future purchases.)

According to Irving, the company has given away \$135 million since the sweepstakes started in 1967. The odds of winning the \$10 million prizes are 1 in 50 million, but 75 percent of the millionaire winners did not purchase so much as a lint brush, he said.

Consumers must assume some responsibility, he said. Still, Irving acknowledged that these "isolated cases" have tarnished the company's image. In response, a number of programs are now in place, including a Web site, a toll-free number with a recorded message ("At Publishers Clearing House, no purchase is ever necessary and the winning is always free") and an annual review of the most active customers.

"When necessary, we even make personal contact, just to remind them that they don't have to buy something," he said.

To Durbin, who sponsored the bill along with Sens. Susan Collins (R-Maine.), Thad Cochran (R-Miss.) and Carl Levin (D-Mich.), such efforts are not enough. He became involved in the issue after hearing from numerous constituents about how some "crafty purveyors" prey on the elderly through deceptive envelopes and package techniques.

"Some (senior citizens) were getting so swept up in these contests that their adult children had no choice but to seek conservatorship," he said.

The new law would require companies, which depend on giveaways for about one-third of new subscriptions, to more clearly disclose odds and clarify rules, and it would strengthen laws regarding use of government look-alike mailings or the suggestion that a mailing is connected to the federal government.

States are taking action too. Last Tuesday, Indiana Atty. Gen. Jeff Modisett sued Publishers Clearing House, asserting that the firm uses deceptive solicitations to trick people into buying magazines.

Modisett heads up a group of attorneys general who are investigating the industry for fraud and will convene in Indianapolis next week. Wisconsin also has sued Publishers Clearing House, accusing it of targeting the elderly.

While Illinois has not filed any suits, the attorney general's office participated in a multi-state voluntary agreement from American Family Publishers last year. The document states that the company would make certain revisions to clarify language and rules, such as the odds of winning being printed in the same size as the amount of the prize.

Why are otherwise intelligent people vulnerable to such unscrupulous tactics? Certainly, as one ages, there are cognitive declines that can impair judgment. But gerontologists and others who work with elderly suggest that there are also other factors: a desire to be self-sufficient, a fear of outliving financial resources and a lack of cynicism.

"They know it's a big company, they see it on TV . . . and they just assume it's a trusted organization," said Glenn Brichacek, director of The Georgian and The Mather, retirement residences in Evanston. "You talk to them about it and their attitude is, 'Why would a company like this mislead me?'"

GRAPHIC: PHOTOS 2PHOTO (color): Henry and Shirley Rohrer ordered magazines and other items in hopes of furthering their chances to win a sweepstakes. AP photo.; PHOTO: Henry and Shirley Rohrer of Canton, Ill., waited in vain for delivery of the sweepstakes prize they thought they had won, one of many such instances of false hope occurring nationwide each year. AP photo.

LANGUAGE: ENGLISH

LOAD-DATE: February 22, 1999

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January 3, 1999 Sunday, CHICAGOLAND FINAL EDITION

SECTION: BUSINESS; Pg. 1; ZONE: C

LENGTH: 1602 words

HEADLINE: DIGEST ADJUSTS WITH LIFE IN THESE UNITED STATES

BYLINE: By Tim Jones, Tribune Media Writer.

DATELINE: CHAPPAQUA, N.Y.

BODY:

Tom Ryder is the man in charge of fixing a national icon--**Reader's Digest**, a name that just about everyone knows, a magazine read by 100 million people worldwide.

And a magazine with an image that has all the panache of your grandmother's washboard.

Nine months into his aggressive cost-cutting rehab as chairman and chief executive of **Reader's Digest** Association Inc., the 54-year-old Ryder carefully weighs the forces of heritage and strong emotional attachments to the magazine against a sagging financial performance and the unforgiving media realities of multiplying competition.

"**Reader's Digest** is an important part of the fabric of America. . . . It is a Heartland product," Ryder said, reverentially. "It needs to be fixed, not only for the employees but for the country."

Millions of Americans will agree, but many of them hold fond memories of Glenn Miller, Joe DiMaggio and life before interstate highways. Corporate futures--especially in the media business--are not built with such strong ties to the past, and that is why Ryder tellingly refers to the soon-to-be-77-year-old **Reader's Digest** as "a work in progress."

The daunting challenge for Ryder and **Reader's Digest**, headquartered in the pastoral, Williamsburg-like setting of New York's Westchester County, is to establish a greater following among younger readers without alienating the more than 14 million U.S. subscribers of enduring loyalty who buy the magazine every month. It will be a balancing act, one of shifting proportions as the company seeks a broader audience for the Digest and the books, tapes, videos and other magazines carrying the **Reader's Digest**

brand name.

It likely will lead to a significant redefining of a company built on the homespun foundation of family values, gentle humor and the lure of sweepstakes riches. Ryder will not take the company from the music of Patty Page to Marilyn Manson, but there will be a clear recognition, he said, of music symbolized by Madonna.

None of this will happen easily, which the Louisiana-born Ryder readily acknowledged in a recent interview at the Digest's headquarters. "I have very clear marching orders," said Ryder, a longtime senior executive at American Express Co. who was recruited by the board of directors last spring.

Ryder, a large man with an informal but direct manner, is an outsider at a company accustomed to being run by insiders. Predecessor James Schadt, who came from PepsiCo Inc., was the first outsider to lead the company founded by Lila and DeWitt Wallace. Schadt was dismissed in 1997.

"I don't give myself a lot of time. This has to be fixed and fixed fast," Ryder said.

The problem, insists Ryder, is not the content of **Reader's Digest** but the manner in which the magazine is marketed--primarily at an older, rural and less-educated audience. Recent editorial fare--with former Chicago Bear Chris Zorich "showing kids the way" on the cover and reports on computer violence, Social Security and a story asking "Whatever Happened to Customer Service?"--is consistent with the historical Digest product.

Part of the problem at the Digest has been an assumption that if they wrote it, the readers would come. Readership and profits have been tailing off, which is why Ryder is calling the shots and shaking things up.

Since joining **Reader's Digest** in May, Ryder has delivered two stages of a planned three-stage restructuring in a wide-ranging effort to restore investor confidence and boost its lethargic stock price. That means making the company smaller, at least for now.

He ordered the sale of \$100 million in art; he pulled out of the condensed non-fiction book business; he slashed the quarterly dividend and announced a plan for a two-step, 20-percent cut in the circulation of the magazine, aimed at readers who are least likely to respond to pitches for other **Reader's Digest** products.

This month, **Reader's Digest** will launch a modest television advertising campaign in an effort to reach a younger, more upscale audience, Ryder said. Although subscription-generating mailings will be cut by 20 to 30 percent, he said the Digest will make direct-mail pitches aimed at a younger audience and venture onto the Internet, as well as placing newspaper and magazine advertising.

Perhaps the biggest move will be the Digest's plan to reduce its reliance on sweepstakes mailings, which historically have been used to generate circulation with the lure of winning big money.

"I don't think we'll ever be out of the sweepstakes business," Ryder said, "but I want some other strategic levers because I know that sweepstakes skew older, poorer and more rural, and that takes the magazine to a place I do not want it to be exclusively."

Ryder also said the company will expand its base of 47 foreign editions, which might include a **Reader's Digest** in China. He also predicted the company will expand into at least two new businesses, trading on the recognition of the **Reader's Digest** name.

Further plans about the restructuring of the company will be announced in February. Readers will be waiting, and Wall Street, which has applauded Ryder's early moves, will be watching.

"I think it's going to be a tough road," said Rudy Hokanson, a media analyst at CIBC Oppenheimer in New York. "A lot of people in the Baby Boomer age bracket just don't identify with **Reader's Digest**."

"How many things can **Reader's Digest** be to how many people? I don't know," he said. "**Reader's Digest** has many loyal readers who will give testimonials, like a coming of the faithful. But there are only so many people who will convert to their ministry. Ninety-six percent of the people may know who they are, but that doesn't mean they will become believers."

Hokanson said the company is approaching a crossroads. If it is going to reduce its reliance on sweepstakes, that will put more pressure on selling the magazine on its merits. "I don't think they can be just a family values-type magazine company. They'd have to start over to do that," he said.

Ryder conceded that the company has relied too much on sweepstakes, at the expense of promoting the values of the magazine and other products. "In the interests of obtaining quarterly profits," Ryder said, "we've lost a solid 10 years of reminding generations of people what the values of the **Digest** were in the first place."

The company's stock price plummeted in 1997 after the company flooded the U.S. and foreign markets with too many direct marketing pitches, reducing the effectiveness of them. The faltering of the company and the corporate shakeup elevated concerns about the magazine's demographics. **Reader's Digest** magazine generated about 27 percent of the company's \$2.6 billion in fiscal 1998 revenues (down from \$2.8 billion in fiscal 1997, which was down from \$3.1 billion in fiscal 1996).

The magazine is the foot in the door, the pitch to sell books and videos and tapes, which have generated far more revenue and operating profits than the magazine; Ryder said in future years, **Reader's Digest** and other magazines will make up an increasingly greater proportion. The median age of the magazine reader is 47. The median age of subscribers, who buy more than 9 out of 10 copies, is above 50, Ryder said.

Although **Reader's Digest** supplies ample data to support its claim that large numbers of the demographically desirable--millionaires, college graduates, Internet surfers, cell phone owners and even young people--read the magazine, the public and media perception of a dog-eared publication that seems to thrive exclusively on waiting room tables in doctors' offices is powerful.

"I defy you to go into a room of 100 people and find anyone who reads **Reader's Digest**," observed Dennis McAlpine, who follows the company for Josephthal & Co. "They have readers, but you don't know where they are."

The **Digest** said more than 17 percent of its circulation comes from Illinois, Ohio, Indiana, Wisconsin and Michigan. The heaviest concentration of circulation, as a percentage of population, is in the Dakotas, Minnesota, Iowa, Kansas, Nebraska and Mississippi.

Fifty-five percent of the **Digest's** readers are 18- to 49-year-olds, the company said.

"There are a lot of bedrock magazines that may not be on the cutting edge, but somehow they capture core American values," said Abe Peck, who directs the magazine program at Northwestern University's Medill School of Journalism and whose 15-year-old son reads the **Digest**, along with **Vibe** and **Maxim**, two decidedly irreverent and young-skewing magazines.

"All magazines live in a tyranny of demographic desirability. Unfortunately, some readers are more equal than others," Peck said. "No one publication can be as important as **Time** or the **Digest** or **Life** was. It just can't be, given today's time pressures and market diversity."

The struggle at **Reader's Digest** is not unique. Magazines, newspapers and television networks all have been scrambling to find and hold their audience. This struggle is occurring as Baby Boomers approach and surpass the age of 50. Ryder said the problem at the magazine is not one of editorial content but of marketing efforts disproportionately aimed at older Americans.

"We'll make some changes at the **Digest**, and we'll go through a confusing period of time here," Ryder

said, leaning back in an overstuffed chair and resting his left leg on an antique maple table. He said he fully expects to hear from some of the magazine readers in the coming months.

"This magazine is very personal, very emotional and is a part of people's lives," he said. "And when you mess with it, people get crazy."

GRAPHIC: GRAPHICGRAPHIC (color): Fewer readers at **Reader's Digest**; Chicago Tribune.; - See microfilm for complete graphic.

LANGUAGE: ENGLISH

LOAD-DATE: January 21, 1999



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Senate Permanent Subcommittee
on Investigations

EXHIBIT# 23a.

LAUREN PERETZ EISEN
Senior Counsel
Consumer and Government Affairs

TELEPHONE: (914) 244-5331
FAX: (914) 244-5390
E-MAIL: lauren.eisen@readersdigest.com

May 25, 1999

VIA FEDERAL EXPRESS

Ms. Mary D. Robertson
Chief Clerk
Permanent Subcommittee on Investigations
100 Russell - Senate Office Building
Washington, D.C. 20510

Re: Peter Davenport Testimony from March 9, 1999
Deceptive Mailings and Sweepstakes Promotion
Hearings Conducted by the Permanent Subcommittee on Investigations

Dear Ms. Robertson:

Enclosed is the original transcript from the above referenced hearing, corrected and signed by Mr. Peter Davenport. The only correction made is on page 62 lines 10-11.

I also enclose responses to information requested from Mr. Davenport during the hearing as follows:

Page 73 (line 15) - page 74 (line 14); response is attached to transcript at page 74. Please note that Mr. Davenport testified that he believed we could provide a breakdown of *Reader's Digest* Magazine subscription circulation by age. However, because we do not have age data for a large part of our subscriber base, we cannot give an accurate age breakdown of our subscribers. Instead, we are providing an age breakdown of the total audience for *Reader's Digest* Magazine. The total audience for the Magazine is based on a valid statistical sampling which is audited.

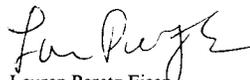
Page 91 (lines 10-18) and page 129 (lines 3-5); see my March 19, 1999 letter to Senator Arlen Specter.

Page 101 (line 23) - page 102 (line 1); see my April 9, 1999 letter to Ms. Leslie Bell.

Page 110 (lines 8-25), page 111 (line 11) - page 112 (line 1), page 126 (line 24) - page 127 (line 6); see my March 19, 1999 letter to Senator Edwards.

I apologize for any delay in returning the original transcript. Please contact me if I can be of further assistance with this matter.

Sincerely,



Lauren Peretz Eisen

LPE/dm

Enclosures

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Page 73 (line 15) - Page 74 (line 14):

In response to the information requested on page 73 (line 15) through page 74 (line 14), for the total audience of *Reader's Digest Magazine*, 53.8% are between the ages of 18 and 49 and 46.2% are 50 years of age or older. The median age is 48.1.



Senate Permanent Subcommittee
on Investigations

EXHIBIT # 23b.

LAUREN PERETZ EISEN
Senior Counsel
Consumer and Government Affairs

TELEPHONE: (914) 244-5331
FAX: (914) 244-5390
E-MAIL: lauren.eisen@readersdigest.com

March 19, 1999

VIA FEDERAL EXPRESS

The Honorable Arlen Specter
U. S. Senate
711 Hart Office Building
Washington, D.C. 20510

Dear Senator Specter:

I am writing in response to the request you made to Peter Davenport of Reader's Digest during the hearings held by the Permanent Subcommittee on Investigations on March 8 and 9. You requested a written statement concerning the project Reader's Digest conducted regarding customers who purchased significant numbers of Reader's Digest products.

In response to your request, I enclose copies of Reader's Digest response to Senator Collins' January 25, 1999 Request for Information and Material Number 8 which we previously provided to the Subcommittee. The subparts relevant to your request are (a) - (e). The first enclosure is Reader's Digest initial response to Request 8, and the second enclosure is the supplemental response Reader's Digest provided at the Subcommittee's request.

Please contact me if I can be of further assistance with this matter.

Sincerely,

Lauren Peretz Eisen

LPE/dm

Enclosures

cc: Senator Susan Collins
Senator Carl Levin

REQUEST

8.
 - a. Does your company contact, using nonpromotional mailings or other means, individuals who have purchased a large number of your products to explain that no purchase is necessary to play your sweepstakes?
 - b. If so, by what criteria does your company determine which people to contact to provide information that no purchase is necessary?
 - c. How many of such individuals did you contact in 1998?
 - d. How many individuals continue to receive your promotional mailings after receiving a non-promotional contact?
 - e. By what method are the individuals contacted? Please provide examples of any letters or phone scripts used for nonpromotional contacts.
 - f. Are consumers making excessive purchases ever prohibited from ordering additional products?
 - g. Does your company maintain a database which allows the blocking of future orders from a customer?
 - h. Under what circumstances are individuals blocked from making future orders?
 - i. How many people in your company database are listed as blocked from making future orders?
 - j. How many people in your company database were added to any list of blocked customers in 1997 and 1998.

RESPONSE

a. RDA sent letters to all of its customers who had spent \$2,000 or more during Fiscal year 1998. An exemplar of this letter is being provided bearing Document Control Number 8-00001. In addition, RDA first contacted by telephone approximately 200 customers who had spent \$3,000 or more. The telephone contacts involved completion of a survey questionnaire. A copy of the telephone script/survey questionnaire is being provided bearing Document Control Numbers 8-00002 through 8-00003. The primary purpose of these contacts was to determine these customers' awareness of and level of satisfaction with their purchases, as well as RDA's policies concerning its products and sweepstakes.

All RDA product offer mailings that contain a sweepstakes entry opportunity expressly state that no purchase is necessary to enter or win the sweepstakes and clearly explain how to enter without ordering and that every entry has an equivalent chance of winning a prize.

However, the letter sent to these customers reminds customers of these

policies, stating, among other things:

Your business and loyalty are greatly appreciated, and we want to emphasize that you do not have to order or buy any product we offer to enter or win the Reader's Digest Sweepstakes.

We use Sweepstakes to call attention to our products, but whether you choose to order or not, you always have an equal chance to win a prize.

RDA received numerous calls and letters in response thanking RDA for the letter.

The telephone survey results demonstrated a high level of consumer awareness and satisfaction with RDA products. Respondents were aware of how much they spent in an average month and what product lines they were buying. They cited a wide variety of uses for the products they bought: for their own use, for relatives, for friends, for grandchildren and for charitable or volunteer organizations. Ninety-one percent said they were aware that no purchase is ever necessary to enter or win the sweepstakes. Ninety-eight percent expressed a very high level of satisfaction with the products they had purchased ("extremely satisfied" or "very satisfied").

- b. RDA informs all recipients of sweepstakes entry opportunities that no purchase is necessary to enter or win the sweepstakes. As explained in response to Request 3a, RDA sent the letter described above to customers who had spent \$2,000 or more in Fiscal year 1998 and first contacted by telephone approximately 200 customers who had spent \$3,000 or more to complete the survey questionnaire described above.
- c. RDA sent the letter described above to the approximately 7,600 customers who had spent \$2,000 or more in Fiscal Year 1998 and first contacted by telephone approximately 200 who had spent \$3,000 or more.
- d. No one asked to stop receiving promotional mailings after being contacted by telephone or letter. If any had asked, RDA would have ceased mailings to them.
- e. A copy of the letter is being produced bearing Document Control Number 8-00001 and a copy of the telephone script/survey questionnaire is being provided bearing Document Control Numbers 8-00002 through 8-00003.
- f. Level of purchases (aside from level of purchase for which payment has not been received) is not a criterion used by RDA to prohibit an individual from

ordering products, as such a criterion may inadvertently preclude satisfied customers from enjoying RDA products. RDA does have procedures in place to prevent unwanted duplicate orders. For example, generally, if RDA receives two or more orders from a customer for the same product within a six week period, RDA sends the customer a letter, a sample of which is being provided bearing Document Control Number 8-00004.

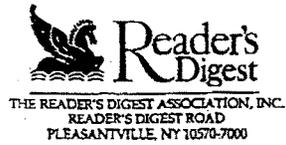
g. RDA's fulfillment system permits blocking of future orders from a customer.

h. RDA blocks future orders by individuals under the following circumstances relating to the individual:

- (1) Deceased
- (2) Identified as a fraud by outside agencies.
- (3) Person has notified the Postal Service that no more RDA mail is to be sent to the person's address.
- (4) Bankruptcy
- (5) Account is under "hardship" billing (*i.e.*, a special billing arrangement has been established at the customer's request).
- (6) Minor
- (7) Request by a guardian
- (8) Suspect address (under investigation for possible fraud).

i. The number of persons blocked from future orders as of June 30, 1997 was 1,763,011 and as of June 30, 1998 was 1,085,825.

j. RDA is unable to determine how many people were added to those who were blocked from future orders in 1997 and 1998. Figures provided in the response to Request 8i are accurate for the particular dates specified.



Date: November 2, 1998

Dear

Thank you for being one of our most valued customers and an important member of the Reader's Digest family.

Your history with Reader's Digest is proof positive that you are an active customer who enjoys the quality and value of our products, recognizes the convenience of ordering through the mail, and has fun with the Sweepstakes.

Your business and loyalty are greatly appreciated, and we want to emphasize that you do not have to order or buy any product we offer to enter or win the Reader's Digest Sweepstakes.

We use Sweepstakes to call attention to our products, but whether you choose to order or not, you always have an equal chance to win a prize.

Your happiness and satisfaction are important to us. If you have any questions, please don't hesitate to call using this toll-free number: 1-800-949-6314.

Sincerely,

Al Perruzza
Vice President
Customer Services

P.S. Please enjoy the enclosed gift as a token of our appreciation.

Newman-Stein, Inc.
 902 Broadway
 New York, New York 10010

Job #5104
 October, 1998

5-1

CUSTOMER SERVICE SURVEY

RESPONDENT'S NAME: _____ AREA CODE: _____ PHONE #: _____

INTERVIEWER'S NAME: _____ I.D. #: _____ TIME BEGAN: _____ AM/PM

DATE: _____ TIME ENDED: _____ AM/PM
 (6-9) (10-13)

Hello, I'm _____ from Newman-Stein, Inc., a national research company. I am calling for Reader's Digest to ask you a few questions regarding the purchases you make with them. Let me assure you that this is not a sales call. We are only conducting a brief survey among Reader's Digest customers. (ASK TO SPEAK TO THE PERSON LISTED ON THE SAMPLE. IF NOT AVAILABLE, ASK WHEN HE/SHE WILL BE AVAILABLE. RECORD BELOW AND CALL BACK.) May I continue? (IF "YES," CONTINUE. OTHERWISE, THANK RESPONDENT AND END INTERVIEW)

ATTEMPT	DATE & TIME	STATUS
1	_____	_____
2	_____	_____
3	_____	_____

1. Are you the person in the household who usually makes the decisions to purchase from Reader's Digest?

Yes 1 → (CONTINUE)

No 2 → (ASK TO SPEAK TO THAT PERSON. IF NOT AVAILABLE, SCHEDULE TIME TO CALL BACK)

2. I'd like to ask you about the types of products you have purchased from Reader's Digest in the past year. (FOR EACH ITEM BELOW ASK: In the past year, have you purchased ...? (RECORD "YES" OR "NO" FOR EACH ITEM)

	Yes (14)	No (15)
The Reader's Digest magazine	1	1
Select Editions or condensed books	2	2
Other books, from Reader's Digest such as Gardening, Cooking or Medical	3	3
Music from Reader's Digest	4	4
Videos from Reader's Digest	5	5

3. Overall, how satisfied are you with Reader's Digest products? Would you say you are ... (READ ENTIRE LIST)?

	(16)
Extremely satisfied	1
Very satisfied	2
Somewhat satisfied	3
Not very satisfied	4
Not at all satisfied	5

8-00002

4a. Approximately how much money have you spent in an average month on Reader's Digest products? Please include all Reader's Digest products such as the magazine, condensed books, music, videos and any catalog purchases. (PROBE FOR AN EXACT DOLLAR AMOUNT RATHER THAN A RANGE. DO NOT RECORD CENTS)

\$ _____ (17-21) → (IF NO ANSWER PROVIDED OR "DON'T KNOW," ASK Q.4b. OTHERWISE, SKIP TO Q.5.)
(WRITE IN)

4b. In an average month, would you say you spent approximately ... (READ ENTIRE LIST)? (ALLOW RESPONDENT TIME TO PROVIDE AN ANSWER)

- (22)
- Under \$25 1
 - \$25 - \$49 2
 - \$50 - \$99 3
 - \$100 - \$199 4
 - \$200 - \$399 5
 - \$400 - \$599 6
 - \$600 - \$749 7
 - or \$750 or more 8

5. When you buy Reader's Digest products, do you sometimes ...? (READ LIST, REPEATING "DO YOU SOMETIMES ...?" BEFORE EACH ITEM. READ EACH ITEM BELOW, RECORDING "YES" OR "NO" FOR EACH ITEM)

	Yes (23)	No (24)
Give them to friends	1	1
Give them to relatives	2	2
Give them to a grandchild	3	3
Give them to charitable & volunteer organizations	4	4
Buy them for your own personal use	5	5

6. I am going to read you a short list of features that may or may not be offered by Reader's Digest. Please tell me whether or not Reader's Digest offers ... (STARTING WITH X'D ITEM, READ EACH ITEM BELOW. RECORD "YES" OR "NO" FOR EACH ITEM.)? Does Reader's Digest offer ... (CONTINUE READING ITEMS)?

START HERE.	Yes (25)	No (26)
() There is a money back guarantee if not completely satisfied with the purchase	1	1
() No purchase is ever necessary to enter or win the sweepstakes	2	2
() You can pay for products by credit card	3	3
() Each product has a 7 day free trial	4	4
() You are able to pay for products in interest free monthly installments	5	5

7. Thanks. That's all the questions we have for you today. We appreciate you spending the time to answer these questions. If you ever need to contact Reader's Digest for any reason, they can be reached at an 800 phone number. Would you like me to give it to you today? (IF "YES," TELL THE RESPONDENT THE PHONE NUMBER IS 1-800-234-9000)

END INTERVIEW

8. RECORD FROM SAMPLE. DO NOT ASK RESPONDENT.

XREF: _____
(27-36)

CRPP098: _____
(37-41)

FORM=VB

Dear:

We appreciate your order for:

However, we hesitate to fill this order because we recently sent you the same product. Do you wish to place another identical order? If so, please return this letter with your instructions, and we will make sure your order is filled promptly. For your convenience, enclosed is a postage paid envelope. If we do NOT hear from you, we will know you do NOT wish to receive a second shipment.

Thank you for helping us serve you better.

Sincerely,

REQUEST

8.
 - a. Does your company contact, using nonpromotional mailings or other means, individuals who have purchased a large number of your products to explain that no purchase is necessary to play your sweepstakes?
 - b. If so, by what criteria does your company determine which people to contact to provide information that no purchase is necessary?
 - c. How many of such individuals did you contact in 1998?
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 - e. By what method are the individuals contacted? Please provide examples of any letters or phone scripts used for nonpromotional contacts.
 - f. Are consumers making excessive purchases ever prohibited from ordering additional products?
 - g. Does your company maintain a database which allows the blocking of future orders from a customer?
 - h. Under what circumstances are individuals blocked from making future orders?
 - i. How many people in your company database are listed as blocked from making future orders?
 - j. How many people in your company database were added to any list of blocked customers in 1997 and 1998.

SUPPLEMENTARY RESPONSE TO REQUEST 8a through j

In response to a follow-up request by the Subcommittee for additional information concerning results of the telephone survey described in RDA's initial response to Request 8, RDA is providing the following supplementary information:

Types of Products Purchased

The 221 survey respondents demonstrated a high level of awareness of what products they had purchased. 98% of respondents reported that they had purchased *Reader's Digest* Magazine in the past year. 93% of respondents reported that they had purchased Music products, and 93.2% reported that they had purchased videos from RDA in the past year. 89% of respondents reported that they had purchased condensed books, and 89% reported that they had purchased other books. A net of 96% of respondents reported having purchased books from either or both of the two latter categories.

Highest Levels of Satisfaction With RDA Products

The survey results demonstrate respondents' very high level of satisfaction with the products they have purchased from RDA.

98% of respondents said they were "extremely satisfied" or "very satisfied" with RDA products. Of this group, half said they were "extremely satisfied," and the other half said they were "very satisfied."

2% of respondents said they were "somewhat satisfied," but no one reported being either "not very satisfied" or "not at all satisfied."

Awareness of Spending

Respondents also demonstrated awareness of how much they spent on RDA products in an average month. The average of all responses came to \$196.10 per average month.

Varied Uses for RDA Products

Respondents cited a wide variety of uses for the products they had purchased from RDA.

Nearly every respondent, over 99%, reported buying RDA products for their own personal use.

In addition, 82% said they sometimes give RDA products to friends, 91% said they sometimes give them to relatives, and 58% said they sometimes give them to a grandchild. 50% said they sometimes give RDA products to charitable and volunteer organizations.

High Awareness of RDA Policies and Principles

The survey results also demonstrate an extremely high level of awareness of RDA policies and principles.

90% or more of respondents were aware of each of the following RDA policies: (1) there is a money back guarantee if not completely satisfied with the purchase, (2) no purchase is ever necessary to enter or win the sweepstakes, (3) each product has a 7-day free trial, and (4) you are able to pay for products in interest free monthly installments.

One policy, that purchasers can pay for products by credit card, garnered a lower awareness level of only 65%.

Summary

The telephone survey results demonstrated a high level of consumer awareness and satisfaction with RDA products. Respondents were generally aware of how much they spent in an average month and what product lines they were buying. They cited a wide variety of uses for the products they bought, and 90% or more of the respondents were aware of various RDA policies, including that no purchase is ever necessary to enter or win the sweepstakes. 98% expressed a very high level of satisfaction with the products they had purchased.

REQUEST

8. i. How many people in your company database are listed as blocked from making future orders?

SUPPLEMENTARY RESPONSE

- i. Please note that RDA's February 10, 1999 response to 8(i) contained an arithmetic error. The correct total number of persons blocked from future orders as well as a complete breakdown by category is as follows:

	As of June 30, 1997	As of June 30, 1998
Deceased	1,087,873	360,960
Fraud	8,477	8,661
Panderer	425	410
Bankruptcy	1,960	1,991
Hardship	20,168	24,014
Minor	89,912	91,953
Ward/guardian cancel	199,460	218,750
Suspect Address	21,618	21,189
TOTAL	1,429,893	727,928

As the above demonstrates, the total number of persons blocked from future orders can decline. This is due to the regular process of purging RDA's customer files. Because of the size of RDA's database, it would be impossible for RDA to maintain all customer information indefinitely. Thus, the files are regularly cleaned and accounts that are no longer viable, such as those of deceased customers, are removed. In addition, for some categories of persons blocked from orders, such as an account that had been marked as a hardship or suspect address, the situation which caused the account to be so marked may no longer exist. In that case, the block would be removed.

You requested more specific information regarding accounts blocked because of a guardian request. As explained in RDA's February 10, 1999 response, RDA's overall U.S. customer file consists of approximately 60 million accounts. Of these approximately 60 million customers, 199,460 persons as of June 30, 1997 (.33% of the customer file) and 218,750 persons as of June 30, 1998 (.36% of the customer file) were blocked from future orders because of requests by their guardians.



THE READER'S DIGEST ASSOCIATION, INC.
READER'S DIGEST ROAD
PLEASANTVILLE, NY 10570-7000

**Senate Permanent Subcommittee
on Investigations**

EXHIBIT # 23c.

LAUREN PERETZ EISEN
*Senior Counsel
Consumer and Government Affairs*

TELEPHONE: (914) 244-5331
FAX: (914) 244-5390
E-MAIL: lauren.eisen@readersdigest.com

April 9, 1999

VIA FACSIMILE and U.S. MAIL

Ms. Leslie Bell
Attorney, Minority Staff
Permanent Subcommittee on Investigations
SR193
U.S. Senate
Washington, D.C. 20510

Dear Ms. Bell:

In response to your request to Linda Goldstein, 3,488,994 is the 1998 mail quantity for the Reader's Digest direct mail piece which referenced Hudson Armored Car and Courier Service and regarding which Senator Levin questioned Mr. Davenport (Exhibit 12).

We apologize for any delay in providing you with this information.

Sincerely,

Lauren Peretz Eisen

LPE/dm

cc: Linda A. Goldstein



THE READER'S DIGEST ASSOCIATION, INC.
READER'S DIGEST ROAD
PLEASANTVILLE, NY 10570-7000

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 23d.

LAUREN PERETZ EISEN
Senior Counsel
Consumer and Government Affairs

TELEPHONE: (914) 244-5331
FAX: (914) 244-5390
E-MAIL: lauren.eisen@readersdigest.com

March 19, 1999

VIA FEDERAL EXPRESS

The Honorable John Edwards
U.S. Senate
825 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Edwards:

I am responding to your March 9, 1999 letter to Mr. Davenport concerning the request you made to Mr. Davenport during the hearings held by the Permanent Subcommittee on Investigations on March 8 and 9 to remove Mr. Bobby Bagwell's name from Reader's Digest's mailing lists.

When we searched our files, we discovered Mr. Bagwell was a past customer and that we had already taken appropriate actions concerning his account. In November 1998 when we became aware of his situation, we marked the one account we had in Mr. Bobby Bagwell's name so that no further Reader's Digest mailings would be sent to him. In addition, in keeping with our generous refund policy which provides that we will give a refund for any product returned at any time, in November 1998 we processed a refund for nineteen products returned on Mr. Bagwell's behalf. Please note that while we found no recent activity on his account, we have now also marked the account so that any orders from Mr. Bagwell would not be processed.

Please contact me if I can be of further assistance with this matter.

Sincerely,

Lauren Peretz Eisen

LPE/dm

cc: Pamela Bagwell
Senator Susan Collins
Senator Carl Levin



Senate Permanent Subcommittee
on Investigations

EXHIBIT # 230

99 MAR 24 10:29

LAUREN PERETZ EISEN
Senior Counsel
Consumer and Government Affairs

TELEPHONE: (914) 244-5331
FAX: (914) 244-5390
E-MAIL: lauren.eisen@readersdigest.com

March 19, 1999

VIA FACSIMILE and U.S. MAIL

The Honorable Carl Levin
Ranking Member
Permanent Subcommittee on Investigations
Committee on Government Affairs
U.S. Senate
Washington, D.C. 20510

Dear Senator Levin:

In connection with the hearings held by the Permanent Subcommittee on Investigations on March 8 and 9, I am writing to send you a copy of the letter we sent to the family of Ms. Gertrude Roosenberg which explains the actions we have taken concerning her account. This letter was sent on March 4th, as soon as we were apprised of her situation. In addition, we have marked her account so that she will receive no additional mailings and so that any future orders will be blocked. However because we prepare our mailings in advance, she may continue to receive mailings for a few months.

Please contact me if I can be of further assistance with this matter.

Sincerely,

Lauren Peretz Eisen

LPE/dm

Enclosure

cc: Senator Susan Collins
Family of Ms. Gertrude Roosenberg



THE READER'S DIGEST ASSOCIATION, INC.
P.O. BOX 235
PLEASANTVILLE, NY 10570-0235

March 4, 1999

The Family of
Ms. Gertrude Roosenberg

Grand Rapids, MI

Dear Roosenberg Family,

I am writing because it has recently come to our attention that you have some concerns regarding products ordered through our company by Gertrude Roosenberg.

First, allow me to take moment and explain a little about our Sweepstakes. As you may be aware, Reader's Digest has been using Sweepstakes for many years as a way of drawing attention to our many fine products. In fact, since we began using Sweepstakes in 1962, we have given away more than \$160 million to more than 2 million people in the United States alone.

Recently, there have been numerous negative reports about sweepstakes in the news media. Please let me assure you that Reader's Digest has always - and will always - encourage and follow reputable practices that make our Sweepstakes honest and real, as well as exciting and fun for our customers.

It is, of course, impossible for us to distinguish customers who should not be ordering our products and we hesitate to assume our customers intent. We do, therefore, depend on family members and care givers to contact us so that we can take suitable steps. Under our unconditional guarantee, we will refund Ms. Roosenberg for any products returned to us for which she has already paid. To make the appropriate arrangements, or if you would like to discuss this matter further, please call us toll free at 1-800-934-0977. A member of our Customer Care team will be happy to assist.

Thank you for this opportunity to explain.

Sincerely,
Reader's Digest
Customer Care

 PUBLISHERS CLEARING HOUSE • 101 WINNERS CIRCLE • PORT WASHINGTON, NY 11050-3000
Senate Permanent Subcommittee on Investigations

\$3.5 Million Acceptance Notice EXHIBIT # 24
from

FOLD HERE

FOLD HERE

I, [REDACTED], do hereby affirm and attest that I am willing to accept 3.5 Million Dollars in cash from Publishers Clearing House on April 15 provided SuperPrize Number 56 7063 1423 16 matches the winning number and this acceptance reaches PCH by April 3, 1998. Should that be the case, I will expect Dave Sayer to arrive in an armored car with guards to deliver the cash to me at [REDACTED].

I would really prefer a Certified Check should I be the winner.

Thank you.

Signed:

[REDACTED]

FOLD HERE

FOLD HERE

I'd also like you to be able to tell the media that I, [REDACTED], don't just enter for the prizes but know an unbeatable deal when I see one. Therefore, please activate my ON THE HOUSE Privilege and see that I receive Express Order Processing on any item(s) I may order below. Thank you.

PLACE 1ST ORDER STAMP HERE	PLACE 2ND ORDER STAMP HERE	PLACE 3RD ORDER STAMP HERE	PLACE 4TH ORDER STAMP HERE
----------------------------------	----------------------------------	----------------------------------	----------------------------------

Your credit is A-OK, so won't you try one or more of our unbeatable deals and we'll immediately upgrade you to President's Gold Club status. If not ordering, paste "NO" stamp from the sheet of stamps over the first two order boxes.

04 |

64 1439 0534

A0200

98-30
10479*

Your odds of winning \$3.5 million are approximately 1 in 85 million.
(Odds may vary based on the total number of entries received)

PURCHASES DO NOT INCREASE YOUR ODDS OF WINNING.

All forms and letters in this solicitation were computer generated.



**PUBLISHERS
CLEARING HOUSE**
382 CHANNEL DRIVE
PORT WASHINGTON, NEW YORK 11050
(516) 883-3432

DEBORAH HOLLAND
Senior Vice President

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 25 a.

April 2, 1999

The Honorable Arlen Specter
United States Senate
Washington, DC 20510

Dear Senator Specter:

This letter is written in response to your suggestion and request that we supplement the record of the hearings on sweepstakes promotion held on March 9, 1999, by the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs of the United States Senate, with information about steps taken by Publishers Clearing House to address the concerns expressed by the Subcommittee.

We want you to know, above all else, that we at Publishers Clearing House are deeply concerned about the individuals who testified before the Subcommittee, and the issues that their experience raises, and that we are actively taking steps to address those issues.

You and the other members of the Subcommittee have clearly called upon us to make changes in our promotions and practices. We hear you, and we are reacting. We are now voluntarily implementing a number of changes to make it easier for all consumers to understand our mailings and enter our sweepstakes, including:

- Adding the numerical odds of winning to the rules
- Adding the words "No Purchase Necessary" to the front of order/entry forms and in other prominent places in the package
- Increasing the exposure of our toll-free number to make it easier for consumers to contact us
- Increasing type size
- Reducing the number of mailings an individual can receive
- Improving the effectiveness of duplicate name consolidation and removal among our most active customers.

We will bear in mind the concerns expressed by the Subcommittee as we develop new promotions in the future.

Publishers Clearing House has a long-standing history of developing and implementing a series of innovative and effective consumer education programs. As more fully set forth in the written testimony submitted to the Subcommittee, we have:

1. Mailed a non-promotional letter to active customers on a regular basis reminding them that they never have to order to enter or win (we've been doing this for 5 years, last year alone to over 125,000 persons);

2. Joined with the Federal Trade Commission in the design and distribution of over 300,000 copies of an educational flyer on the theme that no purchase is ever necessary to enter or collect a prize in a legitimate sweepstakes;
3. Featured an "Anti-Scam/No Purchase Necessary" message on our toll-free customer service line 24 hours a day, with over 4 million impressions last year alone; and
4. Maintained an "anti-scam" data base, recording consumer contacts with real frauds and con artists, information that has been shared with local law enforcement personnel and that has led to nearly thirty arrests and over a dozen convictions for consumer fraud.

However, consumer education programs and increased disclosure are not enough for people who are not able to understand promotional materials, or even able to follow the advice of children and loved ones. Those individuals, like the extreme cases heard by the Subcommittee on March 8, must be protected by proactive programs to identify such people and remove them from active mailing lists.

Publishers Clearing House is unique in the industry because we are the first company to step up to this challenge and pioneer a proactive consumer outreach program. Over 6,000 persons have been contacted and removed from our mailing list last year as a result of this program. In fact, a clear demonstration of the effectiveness of this program is that the two individuals brought to our attention by the Subcommittee Staff -- Mr. Eustace Hall and Mr. Charles Doolittle -- had already been identified and removed from our mailing list over a year ago. We firmly believe that this is the only way to protect those individuals for whom no amount of disclosure is effective.

The enclosed *SweepSmarts* pamphlet, previously made available to the members of the Subcommittee, describes this high activity customer contact program and other services Publishers Clearing House has made available to consumers. We hope you will take a moment to read it.

I am sorry to think that some of my testimony was misconstrued, or perhaps misunderstood, by some members of the Subcommittee. Two points in particular I think should be clarified:

1. We would not have mailed the Dorothy Addeo letter that was criticized at the hearing if we did not think that it was "perfectly fine" -- by which we mean easily understood by consumers and in full compliance with applicable law. Nevertheless, we promptly withdrew the letter, voluntarily, when it was criticized by consumer protection specialists and the media. That happened a year and a half ago. We may not always agree on everything, but I believe this is good example of how Publishers Clearing

April 2, 1999

House listens to criticism, and reacts responsibly.

2. We say that no "reasonable person" would misunderstand our mailings because that is what five federal District Court Judges and the Sixth and Ninth Circuit Courts of Appeals have told us. This is the standard enunciated by the Federal Trade Commission in its policy statement on deception. We are prepared, in response to your call, to go further and do more to make our mailings even clearer and easier to understand, but it seems unfair to be so harshly criticized for mailings that -- while some may not like them -- have been upheld by every court that has ever had occasion to review them.

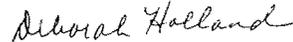
Moreover, every time one of these mailings is sent out, a public "vote" is taken. As I pointed out at the hearing, the figures demonstrate time and again that the vast majority of Americans who receive these mailings understand them as simply advertisements offering a chance to enter and win, and clearly know that they can enter without ordering.

Senator, we appreciate the candor of your remarks at the hearing, and we have taken your expressions of concern to heart. I have discussed the hearings and the Subcommittee's views with senior management, and we are committed to substantive and meaningful change.

I hope that you appreciate as well that we are not careless of the needs and reactions of ordinary, decent people in developing our mailings. Publishers Clearing House is in the business of delighting its customers, not harming them or causing them distress. We have nearly 1,000 employees who, themselves, are ordinary, decent people working hard every day to do a good job. We are not consciously preying upon any vulnerable population group, and we have no desire to exploit anyone. Our confidence in this fact and our first-hand knowledge of the responsible way in which the company conducts itself are driving forces behind the vigor with which we defend our company against these accusations.

Thank you for your time and attention.

Very truly yours,



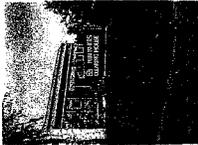
Deborah Holland
Senior Vice President

Enclosure
cc: Permanent Subcommittee on Investigations




*The Sweepstakes
Education, Awareness &
Assistance Program*

A program provided to you by
PUBLISHERS CLEARING HOUSE
101 MANHATTAN CENTER, PORT WASHINGTON, NEW YORK 11060



**Publishers
Clearing
House**
*A Tradition Of
Honesty, Integrity,
And Customer
Satisfaction*

For nearly 50 years, since the company began in Port Washington, New York, Publishers Clearing House has strived to provide top-quality service and maintain the trust of every customer it serves.

Today, the company is still located in the same small town, just a short walk from where it was founded in 1953 by the Mertz family. From his prior experience in the magazine industry, Mr. Harold Mertz saw an opportunity to bring considerable savings on scores of popular magazines to the "armchair shopper."

In 1967, the company added a sweepstakes to its mailings to draw even more attention to the "unbeatable" deals inside, which, at a later point, grew to include a variety of exciting product offers, too.

As America's foremost "free-by-mail" sweepstakes marketer, Publishers Clearing House remains steadfast in its quest to combat deceptive sweepstakes practices. As part of its effort, the company regularly continues to educate the public through its mailings, and responds with any questions or concerns they may have about the sweepstakes industry.

After all, from the company's humble beginnings, caring about its customers has been a guiding principle for "The House Where Dreams Come True!"



A program provided by
PUBLISHERS CLEARING HOUSE
101 MANHATTAN CENTER, PORT WASHINGTON, NEW YORK 11060



Hello!

I'm pleased to present you with this handy guide to SweepShirts, the wide array of sweepstakes education and assistance services we have developed for consumers. We're here to provide you with information or help you may need with sweepstakes in general and our mailings specifically.

Publishers Clearing House cares about consumers and has long been committed to their education and protection. SweepShirts comes to consumers to sweepstakes promotions. We are a proud member of the Federal Trade Commission's Partnership for Consumer Education. We've also been instrumental in helping state and federal authorities identify and prosecute sweepstakes scam artists, one in partnership with information consumers like you have provided.

Inside this brochure, you'll find the many services of the SweepShirts Program. At the heart of these initiatives is the SweepShirts Hotline, staffed by specially trained customer care representatives ready to answer your questions and assist you with sweepstakes-related issues.

For more than 30 years, Publishers Clearing House has been offering sweepstakes opportunities with the utmost integrity and honesty. Always look for our "house" logo. It's your complete assurance of value, service and 100% satisfaction - guaranteed.

Warm Regards,
Gina Passerino
Gina Passerino
Consumer Affairs Manager

CONSUMER ADVISORY: SWEETENING UP YOUR CONSUMER, TOO.

Please feel free to take advantage of any or all of the services of the Publishers Clearing House Sweepstakes Program. To find out how, call our Sweepstakes Hotline.

Regular No Purchase Necessary Reminders

As part of continuing communications with our customers, Publishers Clearing House sends a non-promotional letter, once a year, to remind our most active customers that no purchase is ever necessary in order to be eligible for any of our sweepstakes prizes.

Purchase Patrol

Publishers Clearing House surveys our customer file on a regular basis to identify customers with unusually high order levels. These customers are then contacted to determine if they understand that no purchase is necessary, and they are asked if there are any problems with their purchases from us.

Community Outreach And Educational Services

Representatives from Publishers Clearing House regularly meet with local community groups and senior centers to provide information and guidance about direct mail and sweepstakes. We would be happy to arrange such a visit for you.



The Prize Patrol delivers prizes of \$10,000.00 or more in person and free of charge.



Toll-Free Information And Assistance

A Dedicated Service Team Is Only A Phone Call Away!

Customer Service personnel, specially trained in each of the areas below, are standing by to help you. At the core of these toll-free services is the Sweepstakes Hotline, devoted to answering your sweepstakes questions.

Sweepstakes Hotline

Call us with any questions or concerns you have about sweepstakes. If you believe a relative or close friend may be confused by a sweepstakes promotion, please feel free to call us for special assistance from one of our specially trained customer care representatives. We will also honor requests from customers who wish to decrease or stop the mailings they receive from us.

1-877-3SWEEPS
(1-877-379-3377)

toll-free, live operators
Mon. - Fri. 8:30 a.m. - 5:30 p.m.

Customer Satisfaction Line

For account and ordering information, as well as referral to sweepstakes-related information.
For any service or problem concerning a magazine subscription - even if you didn't purchase the subscription through FCH!

1-800-645-9242
automated 24 hours
live operator Mon. - Fri. 8:30 a.m. - 8:30 p.m.

Hearing Impaired Hotline

TTY accessibility for all questions or concerns.
1-800-248-8670
Mon. - Fri. 8:30 a.m. - 5:30 p.m.

Publishers Clearing House Web Site

More information about our consumer protection programs is available online at:

www.pch.com

(click on "Consumer Affairs" on the home page)

Our Pledge To You

- Your satisfaction is guaranteed or your money back.
- Every entry you return - with or without an order - will be processed with care and give you another chance to win.
- All prizes are awarded in accordance with applicable state and federal laws.
- Real people win.
- There are no strings attached to winning a Publishers Clearing House Sweepstakes.
- All prizes are delivered absolutely free.
- The Prize Patrol will find you if you win. You don't have to wait at home.
- Our own employees stand behind everything we do and care about your satisfaction.

Other Free Educational Publications Available From Publishers Clearing House

- Just call our Sweepstakes Hotline with your request.
- The Best Things In Life Are Free
 - Sweepstakes Advertising: A Consumer's Guide
 - Credited List of Winners in the Publishers Clearing House Sweepstakes
 - Questions & Answers About The Publishers Clearing House Sweepstakes
 - Facts for Consumers



As part of "Our Pledge To You", Our employees stand behind everything we do.

**PUBLISHERS
CLEARING HOUSE**
382 CHANNEL DRIVE
PORT WASHINGTON, NEW YORK 11050
(516) 883-5432

**Senate Permanent Subcommittee
on Investigations**

EXHIBIT # 25b.

CHRISTOPHER L. IRVING, ESQ.
Director, Consumer Affairs

March 24, 1999

The Honorable John Edwards
United States Senate
Washington, DC 20510-3306

Dear Senator Edwards:

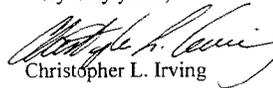
We are responding to your request, made during the hearings before the Senate Permanent Subcommittee on Investigations, that the companies testifying review their records regarding your constituent Bobby Bagwell.

Our records indicate that we were contacted by Mr. Bagwell's daughter, Pamela Bagwell, in October 1998. At that time we removed Mr. Bagwell's name from our mailing list, placed a "block" on his name to prevent future orders from being processed and canceled all outstanding balances. We wrote to Ms. Bagwell in October and December of 1998 confirming the actions we had taken and provided her with postage-paid labels and an itemization of her father's orders for use in returning merchandise for a full refund. We also requested that she provide us with any additional name/address variations for her father so we could remove any such variations.

Since our first contact from Ms. Bagwell, we have had the opportunity to speak with her by phone on repeated occasions offering additional assistance and information. As a result, we have now forwarded refunds to Pamela Bagwell, payable to her father, in the amount of \$2634.88.

If we can provide you with any additional information regarding the resolution of Mr. Bagwell's account please feel free to contact me directly. Similarly, if we can provide assistance to any of your constituents, please feel free to pass on such information to me or have the consumer contact me directly. I can be reached toll-free at (800) 337-4724.

Very truly yours,


Christopher L. Irving

cc: Honorable Susan Collins
Honorable Carl Levin
Pamela Bagwell

Senate Permanent Subcommittee
on Investigations

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P. EXHIBIT # 26a.

ATTORNEYS AT LAW

AUSTIN
BRUSSELS
DALLAS
HOUSTON
LONDON
LOS ANGELES
MOSCOW
NEW YORK
PHILADELPHIA
SAN ANTONIO
WASHINGTON, D.C.A REGISTERED LIMITED LIABILITY PARTNERSHIP
INCLUDING PROFESSIONAL CORPORATIONS
1333 NEW HAMPSHIRE AVENUE, N.W.
SUITE 400
WASHINGTON, DC 20036
(202) 887-4000
FAX (202) 887-4288
www.akingump.com

WRITER'S E-MAIL ADDRESS

April 7, 1999

The Honorable Arlen Specter
U.S. Senate
711 Hart Senate Office Building
Washington, D.C. 20510-3802

Dear Senator Specter:

At the March 9, 1999 hearing of the Senate Permanent Subcommittee on Investigations, you requested additional information from American Family Enterprises (AFE) and other magazine sweepstakes industry representatives regarding steps that they have taken to address recent sweepstakes concerns. You also requested specific examples of how AFE has handled situations in which a guardian requests discontinuance of a customer's magazine subscriptions. On behalf of AFE, we are pleased to respond to your request.

AFE knows that the success of its business depends entirely on consumer confidence. When it became evident in 1998 that a very small minority of its customers may have disregarded, been mistaken, or somehow been confused about AFE's sweepstakes rules and procedures, AFE initiated a comprehensive re-evaluation of its marketing and promotional methods and implemented a number of important changes. Some of the most prominent measures include:

- Clearly disclosing, in numeric form, in AFE's Official Rules, the odds of winning each prize.
- Reminding all mail recipients repeatedly that no purchase is necessary to enter the sweepstakes.
- Displaying in each of its promotional mailings a prominent statement of the "American Family Promise" –
 - The magazine prices offered by AFE are always equal to the lowest available to the general public.
 - All sweepstakes prizes are awarded.

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

April 7, 1999

Page 2

- All entries have an equal chance to win.
- Subscriptions can be canceled at any time and money will be refunded for all unserved issues.
- Products can be returned for a refund if unsatisfactory for any reason.

- Directing that all sweepstakes entries, whether with orders or without, be returned to the same city, reinforcing the message that all entries are, in fact, treated equally.

- Establishing a website (www.americanfamily.com) to answer consumers' most frequently asked questions, reiterate the sweepstakes rules and publish the American Family Promise.

- Avoiding the use of language referring to the recipient as a member of a "small group" with an improved chance of winning the sweepstakes prize. This includes language stating that a recipient is a "finalist" or "tied" to win a prize.

AFE also has instituted a pilot program to identify and protect potentially vulnerable sweepstakes consumers, meaning those who are purchasing an unusually large number of magazine subscriptions. While these purchases might simply represent an appropriate choice for that person, AFE recognizes that they may also indicate that someone incorrectly believes that a magazine order is required to enter the sweepstakes. This group of frequent purchasers appears to represent less than one-half of one percent of AFE's customers. As part of this AFE program, beginning in the spring of 1998, AFE began limiting the number of mailings and sending a "no purchase necessary" reminder letter to individuals whose ordering patterns suggested that they might not understand AFE's sweepstakes procedures. This letter generally states that all entries, including those without an order, have an equal chance to win, and specifically reiterates that no purchase is ever necessary to enter or win. A copy of this letter is attached for your review.

AFE has also elected not to send mail to certain customers for whom the no purchase necessary letter may not be enough. Although the program is in its initial stages and under review, AFE has chosen to stop mailing to approximately 25,000 people. This means that these customers will no longer receive sweepstakes solicitations from AFE. AFE has also been working diligently with the Direct Marketing Association to develop "best practices" recommendations on the issue of protecting the vulnerable.

In addition, AFE blocks certain customers from making future orders, including those who have been identified as being incapable of making rational purchasing decisions. AFE also maintains a much larger list of consumers who have asked AFE not to send them promotional mailings or who have been identified to the Company by others as not interested in receiving such mail.

AFE's goal is to offer magazines and products that people want to purchase and use and to guarantee customer satisfaction. Accordingly, AFE's policy is to offer refunds on a "no

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

April 7, 1999

Page 3

questions asked" basis for all unserved magazine issues or returned merchandise. This refund policy is prominently featured in all of AFE's mailings. In addition, AFE has authorized its customer service representatives to go further in appropriate circumstances in order to handle customer concerns in a compassionate manner. This is particularly true in those cases in which guardians of AFE customers have requested AFE to discontinue subscriptions. Recent examples of how the Company has handled this type of situation are set forth below:

[Redacted information is in Subcommittee files.]

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

April 7, 1999
Page 4

Because of privacy concerns involving these individuals and their families, we would ask that you treat the above examples in a confidential manner. We hope that this letter provides information that is responsive to your requests. Please let us know if we may be of further assistance.

Sincerely,



Steven R. Ross
J. David Carlin

JDC/rtb

cc: Senator Susan Collins, Chairman
Permanent Subcommittee on Investigations

Senator Carl Levin, Ranking Minority Member
Permanent Subcommittee on Investigations

Senate Permanent Subcommittee
on Investigations

AKIN, GUMP, STRAUSS, HAUER & FELD, L.P. EXHIBIT # 26b

AUSTIN
BRUSSELS
DALLAS
HOUSTON
LONDON
LOS ANGELES
MOSCOW
NEW YORK
PHILADELPHIA
SAN ANTONIO
WASHINGTON, D.C.ATTORNEYS AT LAW
A REGISTERED LIMITED LIABILITY PARTNERSHIP
INCLUDING PROFESSIONAL CORPORATIONS
1333 NEW HAMPSHIRE AVENUE, N.W.
SUITE 400
WASHINGTON, D.C. 20036
(202) 887-4000
FAX (202) 887-4288
www.akingump.com

WRITER'S DIRECT DIAL NUMBER (202) 887-

April 9, 1999

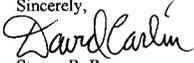
The Honorable Susan M. Collins
Chairman
Permanent Subcommittee on Investigations
432 Hart Senate Office Building
Washington, D.C. 20510-6350

Dear Senator Collins:

On behalf of our client, American Family Enterprises, we are enclosing an edited version of the Subcommittee transcript of the March 9, 1999 hearing on the use of sweepstakes by the magazine publishing industry.

Based upon our review of the transcript, it appears that there is one point in the record that may require further clarification. Specifically, on page 132 of the Subcommittee transcript, Senator Levin asked AFE's witness, Ms. Naomi Bernstein, whether AFE rents its mailing lists to other companies. Ms. Bernstein replied accurately that AFE rents a small list of book purchasers to other companies. However, she did not mention that AFE also rents the names of its non-customer sweepstakes entrants, which names AFE previously rented from another source. The existence of this rental program was however disclosed to Subcommittee staff by Ms. Bernstein during a conference call a few days prior to the March 9th hearing.

We appreciate the opportunity to clarify the record and look forward to continuing to work with you and your staff on this matter. Please let us know if you have any further questions regarding this issue.

Sincerely,

Steven R. Ross
J. David Carlincc: Senator Carl Levin, Ranking Minority Member,
Permanent Subcommittee on Investigations

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P. **Senate Permanent Subcommittee
on Investigations**

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EXHIBIT # 26c

WRITER'S DIRECT DIAL NUMBER 887-4133
WRITER'S E-MAIL ADDRESS dcarlin@akingump.com

March 22, 1999

VIA MESSENGER

The Honorable John Edwards
U.S. Senate
825 Hart Senate Office Building
Washington, D.C. 20510

Re: American Family Enterprises

Dear Senator Edwards:

Pursuant to your request at the March 9th Permanent Subcommittee on Investigations hearing on sweepstakes practices, our client, American Family Enterprises (AFE) has taken steps to prevent Mr. Bobby Bagwell or anyone else residing at his address (

N.C.) from receiving future sweepstakes solicitations from AFE. Specifically, AFE has added Mr. Bagwell's name and address to a list that the Company maintains of individuals who do not wish to receive any AFE mailings. However, if Mr. Bagwell should move, we suggest that his daughter-in-law contact AFE and the Direct Marketing Association to ensure that he does not receive any unwanted mailings at his new address. In addition, AFE has directed its order fulfillment center not to process any future orders from Mr. Bagwell.

With respect to your request that we work with Mr. Bagwell's family to settle his account, our records indicate that Mr. Bagwell's daughter-in-law contacted one of our customer service representatives last October and asked that we cancel all of Mr. Bagwell's outstanding orders and refund any monies received for unserved magazines. AFE honored this request and sent a check to Mr. Bagwell totaling \$172.00. In addition, based upon the information provided by you at the hearing and reiterated in your letter, AFE is prepared to refund the money Mr. Bagwell sent to the Company for merchandise and magazines that he has already received if that is consistent with his desires or the desires of his family. Our records indicate that this amount totals \$768.08 which reflects orders placed by Mr. Bagwell from 1992 through the fall of 1998.

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

The Honorable John Edwards

March 22, 1999

Page 2

Mrs. Bagwell may contact Marci Nusbaum at 201-369-4697 to make the necessary arrangements for the refund.

We hope that these actions are responsive to your requests. Please let us know if you have any further questions or need additional information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ross & Carlin".

Steven R. Ross

J. David Carlin

JDC/rtb

cc: Senator Susan Collins
✓ Senator Carl Levin



V325100A

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 27

Ronald J. Leslie
Prize Council

Reader's Digest Road
Pleasantville, NY 10570
February 19, 1988

Dear Mr. Bagwell:

There's good news. Attached you'll find three Letters of Recommendation that virtually guarantee your chance to win our Customer Appreciation Prize - now doubled in value to \$1,000,000.00 - and a very special \$25,000.00 Customer-Only Prize.

These Letters have been created to demonstrate how people from different departments throughout Reader's Digest guarantee outstanding customers like you access to our newest products and a chance to win our largest cash prizes.

You've also been recommended to receive our best customer benefits. You've earned these benefits and that's why I've enclosed an opportunity for you to own a premier edition of our newest videocassette, Story of America. (See the enclosed brochure for a stunning preview.)

I'm sending these personalized Letters to you today to serve as your entry, so that you can accept your chance to win over One Million Dollars cash! Simply Initial each Letter of Recommendation in the lower right hand corner, in the space indicated, next to my initials. Enter to win both prizes and receive your premier edition of STORY OF AMERICA by returning all three Letters to the Prize Judge in the YES envelope absolutely no later than March 25, 1988. (To have only the chance to win both prizes, return all three Letters to the Judge in the NO envelope absolutely no later than March 28, 1988.)

Above all, Mr. Bagwell, I recommend that you act fast to secure your chance to be our next winner!

Sincerely,

Ronald J. Leslie
Prize Council

01670001-2000000105

P.S. Keep the envelope these Letters came in - it has my name and number on it. Contact me if you win so you can meet the people who signed the Letters which guarantee your chance to win over ONE MILLION DOLLARS!

Reader's Digest Road
Pleasantville, NY 10570

Time Inc.

Elizabeth Valk Long
Executive Vice President

Time Inc.
Time & Life Building
Rockefeller Center
New York, NY 10020-1393

212-522-4738
212-522-0349 Fax
lva269@time-inc.com

99 APR -8 PM

Senate Permanent Subcommittee
on Investigations

April 7, 1999

EXHIBIT # 28

By Hand Delivery

The Honorable John Edwards
229 Dirksen Senate Office Building
United States Senate
Washington, D.C. 20510-3305

Re: Bobby Bagwell

Dear Senator Edwards:

I write in response to your inquiry at the March 9 hearing by the Permanent Subcommittee on Investigations on sweepstakes, and your follow-up letter of the same date, concerning your constituent, Bobby Bagwell. We share your concern about Mr. Bagwell, and regret the problems his orders have caused for him and his family. We have taken steps not only to rectify his situation, but to ensure as much as possible that there will be no further situations like his.

We have reviewed records from across our company and found that he had purchased a highly unusual number of magazines and book series. However, I can assure you that all his orders were canceled and refunds made where appropriate, virtually all during 1998. In addition, his file has been marked so he will not receive any further promotions from Time Inc. entities, and his name will not be rented to any other organizations.

As I explained at the hearing, Time Inc. is a highly decentralized company for a variety of business reasons that have nothing to do with sweepstakes. This makes it complicated to search across the records of our 32 magazines and our books businesses for orders and other information pertaining to a particular customer. Nonetheless, as we committed to do at the hearing, we are engaged in setting up, at rather significant expense, the systems that will enable us to conduct those searches swiftly, to give us early warning if someone is making a highly unusual number of orders, to accept no further orders when that is appropriate, and to promote no further products to that person.

More importantly, as the case of Mr. Bagwell illustrates, even without these systems, we are prepared to make the extra effort when appropriate. In Mr. Bagwell's case, we received a credible complaint last Fall, so we conducted a search to find his records. We then proceeded to cancel outstanding orders and send refunds. Mr. Bagwell's case is not the only one. Time Inc. cares about its customers and has responded similarly to other rare situations like that of Mr. Bagwell.

Following is a list of Mr. Bagwell's orders and their disposition. Refunds were sent for any unexpired, but previously paid, subscriptions or book orders. Cancellations alone with no refund notation mean that at the time of cancellation that portion of the subscription or book order had yet to be paid or, in a few cases, that the subscription had ended.

Time Inc. MagazinesUnder the name Bobby Bagwell

Time canceled 10/13/98, refunded \$52.47 for his own subscription and \$49.96 for a gift.
Sports Illustrated canceled 10/13/98, refunded \$78.
People canceled 12/15/98.
Entertainment Weekly canceled 10/13/98, refunded \$30.69.
Life canceled 10/13/98, refunded \$32.26.
Money canceled 10/13/98, refunded \$53.96.
Retire with Money canceled 4/15/98.
Southern Living canceled 11/6/98.
Sports Illustrated for Kids canceled 6/17/98.
Weight Watchers: mailed April 99 issue, last in subscription.

Time Inc. Home EntertainmentUnder the name Bobby Bagwell

Time Books canceled 10/26/98.
Money Books canceled 10/26/98.
People Books canceled 11/4/98.
Sports Illustrated Swimsuit Diary canceled 9/23/98.
Sports Illustrated Books canceled 10/26/98.
Sports Illustrated Football canceled 10/26/98.
Sports Illustrated Sports Almanac canceled 10/26/98.
Life Books canceled 10/26/98.
World Almanac canceled 10/26/98.

The Honorable John Edwards
April 7, 1999

Page 3

Time Inc. Home Entertainment single book canceled 12/18/98.
Entertainment Weekly Books canceled 10/26/98.
Time Inc. Home Entertainment canceled 6/10/98.
Fortune Books canceled 12/11/98.
Good Housekeeping Books canceled 10/26/98.

Under the name Bobby Bogwell:

Sports Illustrated Books canceled 11/17/98

Under the name Bobby Ragwell:

People Books canceled 10/26/98
Time Inc. Home Entertainment single book canceled 11/11/98

Time-Life Books (All accounts have been canceled):

Fats Domino (one-shot) – ordered 4/98; paid, not returned.
Classic Country – ordered five items; all have been returned; canceled 10/17; refunded \$20.98 in Nov. 98.
Heart of Rock and Roll – ordered one item; was returned unpaid.
Hit Parade – ordered three items; returned two; paid two; owe one refund which is being sent. Refund of \$17.98 already sent on 3/18/99.
Great Composers – ordered one; returned unpaid.
Contemporary Country – five items ordered; two returned; three paid.
Guitar Rock – one item ordered; returned.
A refund of \$98.88 was sent in November for items returned from Great Composers, Contemporary Country and Guitar Rock.

Senator, as you can see, Time Inc. not only is, but has been, prepared to respond responsibly to complaints where there is a problem. As we indicated, we are working hard to design and implement systems, internally and industry-wide, that will catch such problems as they develop, and not solely in reaction to complaints. We also look forward

The Honorable John Edwards
April 7, 1999

Page 4

to working with you, Chairwoman Collins and the rest of the Subcommittee on legislation that responds to the problem areas.

Please let me know if we can be of any further assistance.

Sincerely,

Elizabeth Valk Long
ELV

Elizabeth Valk Long

Cc: Chairwoman Susan Collins
Members of the Subcommittee on Permanent Investigations

MEMORANDUM

EXHIBIT # 29

March 2, 1999

TO: PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
MEMBERSHIP LIAISONS

FROM: KIRK E. WALDER, Investigator *KW*
EMMETT MATTES, Postal Service Detailee
Permanent Subcommittee on Investigations

VIA: TIMOTHY J. SHEA
Chief Counsel and Staff Director
Permanent Subcommittee on Investigations

RE: BACKGROUND: March 8th and 9th Hearing
DECEPTIVE MAILINGS: SWEEPSTAKES COMPANIES

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I. OVERVIEW

Sweepstakes and other promotions continue to be used to defraud and deceive consumers. Major sweepstakes firms each send out hundreds of millions of mailings every year, causing a significant number of individuals to make excessive purchases.¹ The Federal Trade Commission's Bureau of Consumer Affairs has warned that "consumers are conned out of millions of dollars each year by direct mail scams."² A recent consumer survey completed for the General Accounting Office showed that 55 percent of people surveyed say they have received a mailing they considered misleading or deceptive in the past six months.³ Deceptive mailings are used in a wide variety of ways, including ostensible sweepstakes, skill contests, solicitations, and sales of goods or services by mail.

The direct marketing industry has used sweepstakes mailings for over 30 years as a method to promote the sale of their products. Companies use sweepstakes⁴ to sell magazines and other merchandise, while other groups use sweepstakes mailings to raise funds or promote services.

The Magazine Publishers of America estimate that Americans annually spend \$7 billion on magazine subscriptions, and 12% of those sales come from sweepstakes promotions.⁵ This results in revenues from magazine sales of hundreds of millions per year for all sweepstakes companies. Sweepstakes mailings account for nearly a third of all 156 million new subscriptions sold each year. Fifty million people subscribe to magazines through Publishers Clearing House and American Family Publishers, with individual magazine publishers selling an additional 11 million subscriptions through their own sweepstakes.⁶

¹ In August of 1998, American Family Publishers settled a lawsuit with New York by agreeing to give 12,600 consumers a \$60 rebate for purchases they made in response to sweepstakes mailings. These 12,600 New York consumers each purchased at least 6 magazine subscriptions in one year (November 1996-November 1997) and also purchased a magazine in response to the December 1996/January 1997 mailing that prompted the lawsuit.

² Jodie Bernstein, Director of the FTC's Bureau of Consumer Protection at an October 1, 1998 press conference to announce "Operation Mailbox," a continuing effort to reduce mail fraud.

³ GAO will include this data in a report they are preparing for PSI.

⁴ The industry definition of a sweepstakes is "An advertising or promotional device by which items of value (prizes) are awarded to participating consumers by chance, with no purchase or 'entry fee' required in order to win."

⁵ Springfield, Illinois State Journal-Register, December 6, 1998.

⁶ Dan Capell, editor of The Capell Circulation Report, Media and the Law, February 13, 1998.

Trade publications indicate that sales by some leading sweepstakes companies have dropped in recent years.⁷ Some claim this is because of increased competition with lotteries and other forms of legalized gambling, because of direct mail clutter, and/or the recent adverse publicity.

II. HISTORY AND PRACTICES USED BY DIRECT MAIL SWEEPSTAKES

Reader's Digest began using sweepstakes mailings in 1963 as a means of promoting magazine sales. An estimated 300 companies now use sweepstakes⁸ and the major sweepstakes companies send billions of sweepstakes mailings every year.

Sweepstakes mailings offer large cash and merchandise prizes as a way of attracting attention to the products offered. A sweepstakes consultant and former employee of Publishers Clearing House, Henry Cowen, said sweepstakes are used because "offering prizes tends to get people to open the mail."⁹ When Cowen began designing sweepstakes in the late 1960's he tried to give away many very small prizes, but that didn't get much response. "I tried \$1,000, and the response was quite a bit better. I went to \$5,000, and it was better yet." Every year the prizes got bigger, but the size of the prize was not a financial burden to the company, as Cowen stated, "by then, the company was making so much money it didn't make any difference."¹⁰ Publishers Clearing House now offers a grand prize of \$31 million.¹¹

Most of the major sweepstakes companies promote the purchase of magazines and other products¹² via mass and targeted mailings. Magazine publishers contract with companies such as Publishers Clearing House (PCH) and American Family Publishers (AFP) to attract initial subscribers, with the sweepstakes companies usually retaining as much as 90% of the subscription price. The sweepstakes companies profit from the initial magazine subscription, and in some cases,

⁷ PCH and AFP sales may have dropped by 30% in the last four years, with profits reported to be flat. Wall Street Journal, February 18, 1998.

⁸ St. Petersburg Times, December 25, 1997.

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ Grand prizes are usually paid in installments. The PCH \$31 million prize will be paid \$1.55 million the first year, \$775 thousand a year for the next 28 years, and a payment of \$7.75 million in the 30th year. Such back ended installment payments greatly decrease the cost of the sweepstakes prizes.

¹² While the two leading sweepstakes firms began by selling only magazines, they now sell a variety of merchandise, including coins, dolls and collectable items. Sweepstakes companies may use sweepstakes promotions for magazines to "qualify" people. Those who purchase magazines are then sent more sweepstakes mailings, with offers for more expensive products. The merchandise may be more profitable, and those initially identified as purchasers in response to a sweepstakes mailing are probably more likely to purchase *any* product when promoted by a sweepstakes mailing.

future merchandise sales. The magazine publishers benefit by allowing someone else to bear the cost of attracting initial subscribers, build their subscriber base (important for advertising rates), and have the opportunity to convert the initial subscription into a more profitable renewal.¹³

In the last 20 years sweepstakes companies have greatly increased their grand prizes and the sophistication of their marketing. They conduct a variety of contests every year, many offering a multi-million dollar prize. Companies use many traditional direct marketing principles, such as targeting consumers according to recency, frequency and monetary value or dollar amount of the purchases.¹⁴

The major sweepstakes companies compete with each other for exclusive contracts with certain magazines and have copied each other's direct mail copy in the past.¹⁵ Sweepstakes companies are constantly testing their appeals, and have generally concluded that consumers make purchases in response to mailings with large prizes, "involvement devices" such as stickers and stamps, and certain types of personalized appeals. As with many direct mail companies, sweepstakes firms send out a large number of mailings to the general public, then targeted mailings to specialized lists or repeat customers.

The sophistication of the direct mail industry allows sweepstakes companies to use a variety of techniques in mailings, both those sent to the general public and to target lists. Mass mailings can be personalized in several places in a letter, and can feature symbols, devices, or documents that make them look unique. In general, the goal of such mass mailings is to make them appear to not be "junk" mail, enticing the consumer to open them, and then to be personalized and offer a message that convinces the consumer to make a purchase.

Those on a target list can be sent even more sophisticated mailings, telling them when they became a customer, how many purchases they have made recently, and when they last entered a contest without making a purchase. Such mailings reinforce the concept that customer purchases are linked with receiving sweepstakes mailings, and therefore with winning a prize. The implication, sometimes made by a direct statement, is that if you don't make a purchase you may not receive future sweepstakes mailings and won't be able to win a prize.

¹³ Publishers know that subscribers coming from PCH and AFP are "sweeps sold" and then often target these individuals with sweepstakes mailings of their own, resulting in consumers who receive sweepstakes mailings from many different companies.

¹⁴ The terms "RFM" or "RFD" (recency, frequency, and monetary value or dollar amount) are used to designate a formula that companies use to determine their mail programs. They decide what types of packages to mail, and with what frequency, based on the recency of a customer's purchase, how frequent the customer has purchased in the past, and at what dollar level the customer's purchases have been. Thus customers purchasing every few weeks at a high dollar amount will be targeted with an increasing volume of direct mail.

¹⁵ In 1994 a Publishers Clearing House mailing informed all recipients that they were "finalists" for the sweepstakes jackpot. American Family Publishers followed suit, with Caughman saying, "We said if they are doing it, we better do it." Houston Chronicle, February 22, 1998.

Sophisticated marketing techniques have changed both the promotion of the sweepstakes and targeting of individuals in an effort to increase product sales. Such techniques may be causing increased consumer confusion, bordering on fraud, as companies promote the need for speedy action (although the contest deadlines may be months or years away), that an individual may be "one of two finalists", and/or imply that the purchase of magazines will increase the chances of winning the sweepstakes.¹⁶

Sweepstakes companies have refined their tactics to increase magazine sales or other purchases, often indicating in the text of the promotional mailing that the individual will become eligible for more prizes if they make a purchase or will not receive further mailings if they do not place an order. According to Larry Stone, a former senior executive at Publishers Clearing House and Reader's Digest, a sweepstakes mailing for magazine subscriptions is four to five times more likely to generate an order than a mailing without a prize or contest.

The tactics used in sweepstakes mailings have caused a large number of consumer complaints. Consumers contact a variety of sources, including state Attorneys General, the Federal Trade Commission, the United States Postal Service, and consumer groups. A listing of some of the complaints received or investigated by the Permanent Subcommittee on Investigations is included in Appendix 1.

Views of the Major Sweepstakes Companies

Companies using sweepstakes mailings say they view sweepstakes as a fun way to attract customers. They consider them a marketing device, similar to a sale that advertises 20% off. They believe that most consumers understand the sweepstakes, just as most consumers understand that a 20% off sale might mean the product is selling for 20% off the retail price, not a lower price. They point out that most people who enter their sweepstakes do not make a purchase, and that a majority of their winners did not purchase in their winning response. Companies using sweepstakes promote the legitimacy of their sweepstakes by claiming that they have awarded hundreds of millions of dollars in prizes since they began conducting sweepstakes.

In response to the argument that some customers make excessive purchases, companies note that the great majority of their customers order only occasionally and in quite small amounts. They claim that many people like their products, and order them as gifts for friends and relatives. Some companies point out the wide variety of products they offer, with one indicating it offers over 300 magazines and 3,000 other products.

¹⁶ Susan Caughman, then senior vice president and head of Time Inc.'s consumer marketing division and now chief executive of American Family Enterprises (the parent company of American Family Publishers) has said, "Direct marketing is an impulse business. It's about making something so interesting that people feel they need it, and getting them to do something *now*." "Direct Hit--At Time Inc. Consumer Marketing, It's Not Junk Mail Anymore," Time website, August 1995.

In the past year, a number of the major sweepstakes companies have taken action in response to the charges that they send deceptive mailings, entice customers to make purchases of items they do not need or want, target frequent customers, and have a large number of customers who make a significant amount of unneeded purchases.

Sweepstakes companies are working with industry trade associations to encourage the use of non-promotional or no purchase necessary letters to ensure that their customers understand that it is not necessary to purchase in order to enter or win their sweepstakes.

For example, Publishers Clearing House indicated that they have, "for some time regularly written to its most active customers with a non-promotional letter reminding that they never have to order to enter or win or even to hear from us on a regular basis. The most recent version of this letter was sent to over 125,000 customers ..."¹⁷ PCH's Director of Consumer Affairs stated that "The most recent version of the letter was sent to roughly 125,000 customers in February 1998. With very few exceptions, customers receiving this latest version of the "no purchase necessary" letter were selected solely on the basis of order activity of \$1,000 or more in the year 1997."¹⁸

In addition to sending a non-promotional letter, Publishers Clearing House also maintains a "Sweepstakes Assistance Line" for family members with a "loved one who may be responding inappropriately to the promotions they are receiving." Other companies also attempt to directly contact customers making a large number of purchases, either by mail or phone, to make certain their customers understand the nature of their sweepstakes promotions. Such action is designed to identify and remove from their list of purchasers any individuals who do not understand the nature of their sweepstakes, and as a result are making a large number of unneeded purchases.

Sweepstakes companies note that their promotions or names are sometimes copied by unscrupulous individuals in an attempt to profit from the mass marketing the major sweepstakes have conducted. Sweepstakes companies take strong efforts, and work with law enforcement and federal agencies to protect consumers from such scams.

¹⁷ "Publishers Clearing House Consumer Assistance and Consumer Education Programs", page 2.

¹⁸ February 5, 1999 letter from Christopher Irving, Director of Consumer Affairs to PSI Investigator Kirk Walder.

III. ACTIVITIES OF MAJOR SWEEPSTAKES COMPANIES

PSI sent information requests to four of the major sweepstakes companies. The questions asked about the volume and nature of their sweepstakes mailings, and requested information on frequency of mailings, purchases, and billing questions.

a. American Family Publishers

American Family Publishers (AFP) was formed in 1975 by several interests and is currently 50% owned by Time-Warner and the Pritzker family. American Family Publisher recently awarded their \$11million prize to an individual in Maine. AFP is popularly known by their celebrity spokespersons, Dick Clark and Ed McMahon.

AFP has been the subject of controversy after sending a mailing at the end of 1997 and early in 1998 with a large headline saying "Its Down to a 2 Person Race for \$11,000,000 -- You and One Other Person Were Issued the Winning Number -- Whoever Returns it First Wins it All." This mailing caused a number of people to fly to Florida, thinking they were a winner and attempting to be the first to return their entry. The mailing also required consumers to use different envelopes if they were ordering products or not ordering. Those with orders were addressed to the contest headquarters in Florida, while those without orders were addressed to Waycross, Georgia. Many consumers thus believed that placing an order would give them an advantage in having their entry received more quickly.

Attorneys General from a number of states investigated this mailing and other practices of AFP, resulting in a multi-state settlement between AFP and 32 states and the District of Columbia. AFP agreed to pay \$1.25 million and agreed to set guidelines for using the term "winner." They announced plans to prominently display in its mailings that no purchase is required to enter the sweepstakes and that all entries have an equal chance of winning. AFP has taken those steps, and also includes in every mailing their American Family Promise.¹⁹ Other lawsuits have been filed against AFP, with New York settling for \$800,000 including \$60 rebates to 12,600 consumers who had purchased at least 7 magazines from AFP in a one year period. AFP is currently the subject of lawsuits by Connecticut, Florida, Indiana, West Virginia, and South Carolina, as well as a number of class action lawsuits on behalf of various consumers.

b. Publishers Clearing House

Publishers Clearing House (PCH) was founded in 1953 by the Mertz family in Port Washington, New York. The founders are now deceased, and the business is run as a partnership by various trusts. Company materials claim that nearly 50% of the profits go directly to charitable

¹⁹ The American Family Promise says that they guarantee the following: our magazine prices are always equal to the lowest prices available to the general public; all sweepstakes prizes are always awarded; no purchase is ever required to enter; all entries have an equal chance to win; subscriptions can be canceled at any time, money will be refunded for any unserved issues; and products can be returned for refund if unsatisfactory for any reason.

causes like the arts and the environment.²⁰ Harold Mertz founded the company believing he could promote low prices for a variety of magazines in one mailing. They began using sweepstakes in 1967, with small monetary prizes, but currently sell a variety of merchandise and conduct a sweepstakes with a \$31 million prize. This company is popularly known by their "Prize Patrol" which awards their grand prize on Super Bowl Sunday.

Publishers Clearing House has encountered controversy with their sweepstakes promotions in the past. In 1994 they paid a total of \$490,000 in fines to settle with Attorneys General in 14 states and agreed to stop a number of practices. Among others, they agreed to stop using the word "finalist" if an individual was not part of a select group that actually was selected to be in a final round of a contest.

Attorneys General in a number of states are currently investigating the practices of several of the major sweepstakes firms, and Indiana and Wisconsin filed suit against PCH in the last month. One Assistant Attorney General was quoted as saying, "... this round of investigations (is) considerably more militant. The consensus that is developing among the states is that sweepstakes operators will push to the limit of the law and beyond."²¹

c. Time-Warner

Time-Warner uses sweepstakes to promote many magazines and other Time products. The Time family includes approximately 30 magazines (*People, Life, Money, Fortune, Sports Illustrated, Entertainment Weekly* ...) and products including Time-Life books. Most magazines use the same sweepstakes, called Guaranteed and Bonded²² (G&B). Many of the Time Inc. magazines are initially sold through sweepstakes offered by American Family Publishers or Publishers Clearing House. Time then seeks to obtain renewals, often using its own Guaranteed and Bonded sweepstakes.

Time-Warner is also a 50% owner of American Family Publishers, and runs a customer service facility in Tampa, Florida, which employs about 1500 people. They process the entries and orders for the G&B sweepstakes. American Family Publishers also uses this customer service facility.

Time Consumer Marketing coordinates the overall sweepstakes promotions done by each magazine, but each individual magazine runs its own promotions and offers different versions of the G&B sweepstakes. Each entry, however, goes into the same overall sweepstakes. Thus, a person subscribing to Time, People, and Money from a G&B sweepstakes offer would be entered three

²⁰ Pamphlet entitled "Questions and Answers about the Publishers Clearing House Sweepstakes."

²¹ Madison, Wisconsin, Capital Times, September 12, 1998

²² The Guaranteed and Bonded name came from the fact that states such as Florida and New York require sweepstakes to post a bond and provide other assurances that the prizes will be actually awarded.

times in the same sweepstakes. Accordingly, individuals may get the impression that they are entering several different sweepstakes, each allowing them to win the grand prize, but in reality they are entering the same one several times.

d. Reader's Digest

Reader's Digest Association Inc. (RDA), is the oldest of the sweepstakes operators, having conducted sweepstakes since 1963. RDA operates out of Pleasantville NY, and offers sweepstakes worldwide. Approximately 90% of their promotions mail contain a sweepstakes, and in addition to sweepstakes, RDA also offers skill contests in their mailings. RDA markets a variety of products including its namesake monthly magazine, books, videos and music.

e. Other Sweepstakes Companies

A wide variety of other companies send sweepstakes mailings. Michigan Bulb sent a large number of sweepstakes mailings in 1998, and PSI received a significant number of complaints about this company as well as United States Purchasing Exchange. Sweepstakes are also offered by individual magazines, such as Consumer Reports, and by non-profit groups such as the Disabled American Veterans.

IV. GOVERNMENT LOOK-ALIKE MAILINGS, FACSIMILE CHECKS, AND OTHER DECEPTIVE MAILINGS

Mailings that appear to be from the U.S. Government or use government symbols continue to draw complaints from consumers. While legislation was enacted in 1990²³ to curb some types of deceptive mailings, it has had limited effect. Government look-alike mail often is in a brown envelope, may have certain notices that refer to the U.S. Government or a return address with a government sounding name, and sometimes contains documents that appear to be checks. As with sweepstakes, these techniques are designed to get people to open the envelope and to make them believe they may be eligible to receive something of significant value.

²³ Deceptive Mailings Prevention Act (PL 101-524). This Act required disclosure on the outside of mailings containing government symbols that "THIS IS NOT A GOVERNMENT DOCUMENT", and strengthened statutes on nonmailable materials and mail containing false representations (U.S.C.A., Title 39, §3001 and 3005).

V. TECHNIQUES USED IN DECEPTIVE MAILINGS

Deceptive mailings can take many forms and use a variety of techniques. Such practices include:

1. Misleading promotions suggesting that an individual has won a major sweepstakes, but will only receive the prize if a product is purchased;
2. Using a deceptively named company, envelopes and/or symbols and statements that give the impression that the mail is official government correspondence;
3. Misleading promotions suggesting that purchase of a product is necessary for, or will increase the chances of winning in, future sweepstakes contests;
4. Deliberately confusing promotional copy and official rules that include inconsistencies causing individuals to make unnecessary purchases in the hope of winning a prize;
5. Sending multiple sweepstakes promotions with different copy but each promoting the same overall sweepstakes contest;
6. Targeting individuals making purchases with repeated subsequent mailings, enticing individuals to make excessive and unneeded additional purchases²⁴;
7. Overly aggressive billing resulting in excessive consumer payments without proper disclosure or the opportunity for refunds from the billing company;
8. Requests for payments, often described as a processing or handling fee, for deceptively described products or prizes with an inflated value;
9. Misleading statements seeming to guarantee the award of a large cash prize, and requesting purchase of a product, when most individuals actually receive an insignificant cash award (e.g., \$.50 or \$1.00²⁵);
10. Offering the sale of information deceptively described as coming from the federal government or concerning government benefits; and
11. Sending facsimile checks enticing individuals to respond to marketing appeals.

²⁴ A January 1998 story in Consumer Reports indicated that after a staff member entered the Reader's Digest sweepstakes, she received 20 more envelopes from the company in the next 6 months.

²⁵ Considering the fact that the consumer must spend \$.33 to mail their reply, the small monetary prize received by such "Guaranteed Winners" is so de minimus, that to consider the recipient a "winner" is farfetched.

Companies use these techniques and others to persuade consumers to send money or make unnecessary purchases. Some companies conduct legitimate sweepstakes or offer worthwhile products, but still use deceptive mailings to generate excessive and unnecessary purchases. Other companies engage in considerable fraud and deception, offering overvalued products or contests that award minimal prizes. Some companies are totally fraudulent, sending consumers products or information worth essentially nothing.

VI. EXISTING LAWS

The Federal Trade Commission (FTC) and the United States Postal Inspection Service have primary federal jurisdiction over sweepstakes fraud and government look-alike mailings. Attorneys General in numerous states have taken action against American Family Publishers, and on March 17, 1998 a multistate settlement was reached requiring their mailings to be less deceptive. Other Attorneys General have open investigations and several class action lawsuits have been filed against American Family Publishers.

Sweepstakes are largely regulated by state law. At the federal level, regulation and enforcement comes under the investigative jurisdiction of the Postal Inspection Service and the Federal Trade Commission. Current federal laws do not specifically cover sweepstakes but address them by forbidding lotteries, false representations and unfair trade practices. The following is a general overview of the federal and state laws which cover sweepstakes.

Federal Laws

Sweepstakes are not specifically covered by the statutes enforced by the Postal Service under chapter 30 of title 39. This chapter contains the civil provisions under which action could be taken. Sweepstakes that obtain money through the mails by means of false representations are violations of 39 U.S.C. 3005. This statute also forbids conducting a lottery, which although not expressly stated, requires that all sweepstakes must have a free entry option. A lottery contains three elements prize, chance and consideration. A free entry option excludes the consideration element, which makes sweepstakes not a violation as the operation of a lottery. No statute or regulations enforced by the Postal Service makes specific references to sweepstakes.

Criminal action can be taken against sweepstakes fraud under 18 U.S.C. 1341 (the federal mail fraud statute). The two necessary elements for a violation of this section are (1) formation of a scheme with intent to defraud, and (2) use of the mails in furtherance of that scheme. Although not often, sweepstakes operators have been prosecuted under this statute. These investigations are conducted by the Postal Inspection Service, acting against companies who run fraudulent sweepstakes or sweepstakes that ask for money to be sent, which are then illegal lotteries.

The FTC may also take action against practices that are unfair or deceptive. The FTC has several standards that they use to declare an action deceptive. There must be a representation,

omission or practice that is likely to mislead the consumer. The FTC judges the practice from the consumer acting reasonably in the circumstances.

State Laws

State statutes applicable to sweepstakes are found in many state codes. Twenty-seven states have specific statutes which govern sweepstakes. Maine has no specific statute regulating sweepstakes, but can use general deceptive practices statutes to act against fraudulent games or promotions. State laws cover numerous facets of sweepstakes, including general disclosures, odds of winning, number/value of prizes to be awarded, rules, winners list, pre-contest filing, simulated checks, prize restrictions and the use of certain words.

States such as New York make it unlawful to represent that a person is a "winner" or has been "selected" or words of similar import when all or a substantial number of those solicited receive the same "prize" or "opportunity." State laws which restrict the use of certain terms are aimed at sweepstakes that lead the recipient to believe he or she is a member of a select group when everyone who receives the sweepstakes are members of the same class of contestants.

VII. FEDERAL ENFORCEMENT ACTIVITIES

Currently there is no federal law that specifically covers sweepstakes. False representations made in mailings are investigated by the U.S. Postal Inspection Service, and the Federal Trade Commission has jurisdiction to investigate unfair or deceptive acts involving commerce.

U.S. Postal Inspection Service

Investigative efforts of the Postal Inspection Service in the area of sweepstakes have been limited. In fiscal year 1998, the Inspection Service had 41 open cases in the sweepstakes category. In fiscal year 1998, cases under the sweepstakes category resulted in 6 criminal convictions and 8 civil complaints were filed under 39 U.S.C. 3005, the statute covering false representations and lotteries.

One case in particular illustrates the use of several investigative techniques. The company sending the postcard offering information on how to receive \$700 in government benefits often used the name Cash Claims Service. In early 1997, solicitations for Cash Claim Service were mailed requesting money be sent to two addresses in New York. A fictitious name order was issued under 39 U.S.C. 3003. This statute allows the Postal Service, upon evidence that a person is using a fictitious name in order to carry on an activity in violation of sections 1302, 1341 and 1342 of Title 18, to withhold mail and require the party claiming the mail to furnish proof of claimant's identity and right to receive mail. A fraudulent operator using a fictitious name will often abandon the scheme at this point, rather than come forward to be identified. This statute stops consumers from being defrauded but only punishes the violator by forcing him to shut down the current scheme.

Additional addresses for Cash Claim Service were identified in Washington D.C., Mesa AZ., and Issaquah, WA. The promoter was subsequently identified as Borden J. Barrows. At the same time, Mr. Barrows was identified as running other promotions under various names at numerous locations. In November 1997, the Postal Service negotiated a consent agreement and issued a false representation order under 39 U.S.C. 3005. So for the second time the fraud was stopped but no penalties were levied upon Mr. Barrows. The current legislation would allow penalties to be levied in conjunction with the False Representation Order. Under current law, no penalties are assessed until a person evades an order issued under 39 U.S.C. 3005.

VIII. STATE ACTIONS

The states have a number of actions pending against a variety of deceptive mailers. The states have taken the lead against the larger sweepstakes companies. Based on the actions of several states an Assurance of Voluntary Compliance was entered into with American Family Publishers, in March of 1998.

In August of 1998 the Attorney General of New York and American Family Publishers entered into an Assurance of Discontinuance. This agreement in part required AFP, to pay to the State of New York eight hundred thousand dollars to the state to be used as follows: seven hundred fifty thousand dollars (\$750,000), to be used as a consumer fund to be distributed by the Attorney General at the Attorney General's sole discretion; fifty thousand dollars (\$50,000) to the State of New York for costs of the investigation leading to the Assurance.

Most recently the states of Wisconsin and Indiana filed actions against Publishers Clearing House. In the Wisconsin suit a number of misrepresentations are alleged including misrepresenting directly or by implication; that consumers have won or will win a large cash prize, that consumers will improve their chances of winning a prize by purchasing merchandise, and that consumers are guaranteed winners of a valuable prize. The suit alleges, in part, that the "defendant specifically targets elderly consumers and includes in its sweepstakes solicitations representations that are designed to manipulate elderly consumers." They also charge that PCH gives the impression that the sweepstakes is endorsed, ratified or legalized by the State of Wisconsin and the United States of America by using forms in the sweepstakes that reproduce or imitate forms issued by state and federal governments, including but not limited to United States Postal Service packaging, Internal Revenue Service forms 1099, and Wisconsin Department of Transportation vehicle registration tags. The suit seeks to enjoin and restrain Publishers Clearing House from violations of the state statute and seeks to recover pecuniary losses and disgorgement of profits as a result of their violations of state statutes.

IX. CONGRESSIONAL RESPONSES

Several measures have been introduced to curb deceptive mailings. They include:

S. 335. The Deceptive Mailings Prevention and Enforcement Improvement Act
Introduced by Senators Collins, Cochran, Levin, Akaka, Durbin, Burns, Campbell, Edwards and
Stevens on 2/3/99

This legislation seeks to prevent fraud and deception by requiring companies to be more honest with the American people when using sweepstakes and other promotional mailings. The legislation would establish new standards for sweepstakes and other prize promotion mailings, including clear disclosures that no purchase is necessary to enter the contest, the value and odds of winning each prize, the name of the promoter of the contest, and an understandable statement of the rules.

In addition, the legislation would strengthen the laws against mailings that mimic the government documents. Mailings could not use any language or device that gives the appearance that the mailing is connected, approved, or endorsed by the federal government, or that implies that the mailing is afforded any special protection by the federal government. Any mailing selling a product the government provides for free would have to include a disclosure that the product is available from the government at no cost. Mailings could not contain statements implying that federal government benefits or services would be affected by any purchase, non-purchase, response, or non-response to a mailing.

The bill also provides strong new financial penalties for sending mail that does not comply with these and existing standards. Monetary civil penalties include fines ranging from \$50,000 to \$2 million, depending on the number of mailings sent.

The bill makes federal law enforcement efforts more effective by giving the United States Postal Inspection Service, additional tools to combat these practices. Administrative subpoenas for records and documents needed during its investigations into fraudulent mailings would be authorized in limited cases. Upon application to a district court, the Postal Inspection Service would be authorized to detain mail nationwide, instead of in just one judicial district, when the mailings violate the False Representations Statute. (Under current law the Postal Inspection Service must file in each judicial district in which mail is received.) These provisions will assist the Postal Inspection Service in taking immediate steps to stop mailings found to be deceptive.

The legislation would preserve the important role the states play in fighting this type of fraud and deception. The bill would not preempt state or local laws protecting consumers from fraudulent or deceptive mailings.

S. 336. The Deceptive Games of Chance Mailings Elimination Act of 1999.
Introduced by Senators Levin, Durbin and Collins on 2/3/99

The bill adds new requirements to the deceptive mail statute that would declare as nonmailable any solicitation or sweepstake promotion unless it: 1) conforms with postal regulations; 2) contains sufficiently large and noticeable notices that no purchases are necessary, a disclosure of the chances of winning, and advises that purchases do not enhance the chances of winning; 3) is clearly labeled as a game of chance and contains no misleading statements representing that recipients are guaranteed winners; and 4) does not represent that the recipient is a member of a selected group whose chances of winning are enhanced as a member of that group. It allows the Postmaster General to use subpoenas for investigations into deceptive mailings and allows him to ask the Attorney General to enforce subpoenas. The bill also allows the Postal Service to assess civil penalties in lieu of or as part of an administrative order.

S. 301. The Deceptive Games of Chance Mailings Elimination Act of 1999.
Introduced by Senators Campbell and Collins on 1/22/99

This legislation imposes new disclosure requirement to inform recipients that they are not automatic winners and that no purchase is necessary. The disclaimer must be in conspicuous and legible type. If the envelope contained language suggesting the person is a winner, then the disclosure would also have to appear on the envelope. Facsimile checks would have to state that they were not checks or negotiable instruments and had no cash value.

Civil penalties for deceptive mailings are set at up to \$50,000 for each mailing of less than 50,000 pieces, \$100,000 for mailings of 50,000 to 100,000 pieces, with an additional \$10,000 for each additional 10,000 pieces. The total fine could not exceed \$2 million. Civil penalties would go to the Postal Service to increase consumer awareness of deceptive mailings.

The companion bill has introduced in the House of Representatives by Congressman LoBiondo.

KW/EM:mdr

Attachments

M:\PST\Deceptive Mailings\Memos 99\Background Memo-Hearing Plan\BACKGROUND MEMO-Liaisons.wpd

APPENDIX I**CONSUMER COMPLAINTS**

During the course of PSI's investigation into deceptive mailings, Senator Collins was contacted by a number of individuals from Maine and 11 states across the country. PSI staff contacted additional people who were referred by Attorneys General or other groups. These individuals cited a number of concerns about sweepstakes mailings with 33% mentioning sweepstakes run by American Family Publishing, 24% mentioning Publishers Clearing House, 9.8% mentioning Reader's Digest, and 8.5% mentioning United States Purchasing Exchange.

The following are brief excerpts of comments made by some of these individuals who have complained about deceptive mailings.

INDIVIDUALS INVOLVED WITH SWEEPSTAKES**NON MAINE RESIDENTS (83)**

<u>NAME</u>	<u>COMMENTS</u>
H. A. Lithia, FL	Spends \$2000 a year on sweepstakes especially from American Family Publishing. She gets bills for magazines she did not order and has attempted to cancel subscriptions but "they won't stop."
R. A. On Behalf of his Father Hollywood, FL	His father has played sweepstakes for just 6 months and has already spent \$13,000. He receives mailings from U.S. Purchasing Exchange and Canadian "lottery" telemarketer have started calling him. While his family is at the hospital visiting his sick wife, he stays home and writes checks. His obsession began with Ed McMahon and American Family Publishers.
T. B. Butler, PA	Mailings from Publishers Clearing House and Harlequin Lotto USA Headquarters. "I was guaranteed to receive a cash award in June. In very small print on another paper (it) said the award may be \$1.00. I didn't get it. Then I was supposed to get something in August. October I did get a little light. . . .Also got a bill for postage and handling. All their free gifts have a bill with it."

F. B. Crescent City, CA	Sent in 19 Sweepstakes Notices from American Family Publishers, Readers Digest or Publishers Clearing House
H. B. Port St. Lucie, FL	Spent \$9000 (\$6000 of it borrowed from family members) on sweepstakes. He entered contests put on by American Family Publishers and U. S. Purchasing Exchange. He bought dozens of magazines, videotapes, coins, etc. all because he thought the companies implied that if you didn't, you wouldn't improve your odds of winning.
O. B. Converse, TX	Sent numerous mailings from Michigan Bulb Company and the sweepstakes that they have sponsored. Also mailings from The National Library of Poetry, Publishers Clearing House, Reader's Digest. Feels these companies misrepresented to her that she had won.
R. and S. B. Tampa, FL	They received a March 98 American Family Publisher's solicitation and believed they had won. They consulted with a local attorney who failed to note the disclaimer. They went to Time Customer Service and were demeaned for not being able to understand the disclaimer. They demanded to be removed from the AFP list but continue to receive mailings.
F. and M. B. On Behalf of their Sister Milwaukee, WI	Their sister had squandered her savings, including a \$10,000 certificate of deposit to pay sweeps. She had subscribed to 35 magazines from American Family Publishers which will last until 2005.
C. B. Richmond, VA	Has a disabled son in need of an operation she cannot afford. She was very happy when she received the "You and One Other Person" American Family Publishers' piece in Dec 1997. By Feb. 1998, she realized she hadn't won and " was just sick when I found out it was all just a game. "

L. B. Salem, VA	Flew to Tampa to collect his winnings from American Family Publishers. He is hooked on sweepstakes and has 30 magazine subscriptions which he does not read. He has spent \$30,000 and now wishes all subscriptions would stop. "If you don't get into a certain group, you're out of it. The only way to get to a higher group is to spend lots of money."
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E. C. Spring Hill, FA	Received a free necklace from American Family Publishers and an invoice for \$24.31. She returned the necklace and is now receiving dunning letters. Tried to stop mailings but continues to receive them from AFP.
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K. C. On Behalf of her Grandfather No Address (S. B., daughter)	In 1995, her grandfather responded to an American Family Publishers solicitation and purchased magazines. He was then marketed by Publishers Clearing House, Michigan Bulb and others. In 18 months, he spent approximately \$100,000. A collection agency garnished his Social Security Check.
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E. C. On Behalf of his Father Clearwater, FL	His father plays sweepstakes. He spends approximately \$300 daily. E.C. called Publishers Clearing House to clear it up and they only have records for the past 18 months which accounted for \$30,000.
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O. C. Ocala, FL	Notices from Publishers Clearing House. Invested \$100s in pursuit of her prizes.
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T. H. C. Mountain View, CA	Various mailings from Publishers Clearing House
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V. C. On Behalf of her Mother Tallahassee, FL	Her mother spends \$400 a month on sweepstakes. She believes it began with American Family Publishing but now buys from Publishers Clearing House, and U.S. Purchasing Exchange. She has tried to
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stop mailings to no avail. Mother has canceled doctor's appointments in order to be home to meet the Prize Patrol. Causing much friction in family.

S. C.
Des Moines, Iowa

She bought pots, pans, tapes, magazines and other gadgets in order to win the big prize. Her nephew sold 300 boxes of "gifts" from her house at auction. She has bought from American Family Publishers, Publishers Clearing House, and U.S. Purchasing Exchange.

M. C.
Hallandale, FL

She has been buying magazines for years because she felt she had to in order to enter the sweepstakes. American Family Publishers is now sending her books she never ordered and she is upset with the overdue notices. She's particularly furious with Ed McMahon whom she said she trusted and has now soured her on America. (She was an immigrant from Austria.)

C. C.
New Smyrna Beach, FL

He called to complain about dunning letters from Publishers Clearing House for merchandise he had already paid for. He called and sent copies of canceled checks but continued to receive notices. He was concerned about the impact on his credit and the impact on his health. He called PCH again and spoke to a customer service supervisor and was unable to resolve anything and indicated they hung up on him. He recently tried to make a purchase and was denied credit.

J. C.
North Palm Beach, FL

J. C. died in December 1998 but his brother found his apartment packed with magazines and merchandise from American Family Publishers, Publisher Clearing House, Reader's Digest and U.S. Purchasing Exchange. It appears J. C. spent over \$20,000 over the past few years.

F. and V. D.
Alhambra, CA

Problems with American Family Publishers and Publisher's Clearing House. Paid \$1752 over 4 year period. She found the AFP mailings convincing because of the involvement of Dick Clark and Ed

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McMahon and because they used the terms "winner or finalist". Cost of her purchases estimated at \$800-\$1000 per year.

"Throughout the years, I have noticed that we were sent two invoices for each new subscription Violet would purchase; often the second would arrive within days of the first. While I attempted to throw away the second bill, Violet would frequently pay it before I could."

"...I also found several canceled checks proving that previous magazine orders had been double paid. I called American Family Publishers and learned that, with each double payment we mistakenly sent, they would extend out the subscription without notifying us. On February 4, 1998, I sent copies of these checks along with a letter demanding a refund for all such double payments. Their response was yet another overdue notice which threatened us with 'further action against your name.' On May 1, 1998, I received a card from American Family Publishers waiving the \$18.94 debt as 'perhaps the mistake was ours'. Regarding my demand for a refund of all double payments, as of this date we have not received any refund.

Finally, perhaps as a result of this billing episode, my wife has finally come to realize that she has been duped by the sweepstakes solicitations for all of these years. Although the financial drain is now halted, the loss to her dignity is incalculable."

B. D.
Coronado, CA

Sent in Publishers Clearing House award notice. Only "award" was \$300 credit toward merchandise

D. D.
Dundee, IL

Received notice from Direct Marketing Enterprises, LTD. After making 2 or 3 purchases, she was notified she was a first round winner. She returned her form with "No Purchase" and received a 34 cent check as a prize.

L. D.
On Behalf of her Husband
Springhill, FL

Her husband died in August 98. He spent \$2500 in the last month of his life. She was notified that her husband had won a prize (cash and a car) after his death. She pleaded with American

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Family Publishers to transfer the prize to her name. They agreed but asked her to remit a check for \$3349 to cover taxes and the selling of the car. She states the only reason she fell for it is because **“he (gentleman on phone) sounded so much like Dick Clark” that she believed it was legitimate.**

C. D.
On Behalf of his Mother
Inverness, FL

His mother is heavily involved in sweeps. He returned 22 boxes of merchandise to Publishers Clearing House. Her total losses are \$12,000 including several incidences of double invoicing. United States Purchasing Exchange was also cited.

C. E.
Nashville, TN

He believed he was Nashville's newest millionaire because Ed McMahon told him so. **“I can't find any reason why that's not the winning number,”** he said of his American Family Publishers sweepstakes entry.

G. F.
On Behalf of her Father
Tennessee

Her father received the American Family Publishers “You and One Other Person” solicitation and believed he had won. He was intent on beating the other person so he flew to Atlanta and mailed his entry from there to get it to Florida sooner. He was going to fly to Tampa until AFP convinced him not to come. He bought several magazines.

K. F.
On Behalf of her father
Cleveland, TN

His father suffers from Alzheimers and plays sweepstakes. He cannot remember day to day but believes he is a Big Winner. He has squandered his estate. She believes his problem started with American Family Publishers.

N. F.
Durham, NC

She indicates she was fraudulently led to believe that she had won \$10M in the 1995 Publishers Clearing House sweepstakes. All she really got was **“unethical, unscrupulous and substantially injurious”** treatment from the agency. She believed that buying magazine subscriptions would “help ensure” she won the prize.

S. and E. F. Texas	Problems with American Family Publishers and Reader's Digest. Purchased 255 products from Reader's Digest to increase chance of winning.
B. G. On behalf of her mother St. Petersburg, FL	Mother received Time's Guaranteed and Bonded mailer and believed she had won. She purchases magazines and cries frequently after her daughter pointed out the "if" in the claim. She called the Time Customer Service in Tampa to complain and was laughed at.
F. G. Lake Worth, FL	He played sweepstakes for 12 years. He kept this secret from his wife until he had a stroke in Dec 98. The family discovered thousands of dollars missing and mountains of merchandise in the closets and garage. He lit up the house on Superbowl Sunday so the Prize Patrol could find them easier.
C. G. Manchester, NH	She has been buying from American Family Publishing since 1991 and purchases a magazine with every entry. "You have to buy to stay on their mailing list, and you can't win if they don't mail you an entry."
S. G. On Behalf of her Mother Winter Springs, FL	Her Mother spends a lot of money on sweepstakes and has been doing so for 10 years. Her Mother waits for the Prize Patrol to show up everyday. Publishers Clearing House, Time, Little Shelter, Disabled Vets, Cancer Society are a few of the mailings. There have been at least 20 magazine subscriptions. Some were paid for with bad checks and she is now receiving letters from collection agencies for amounts as small as \$3.45.
R. G. Tampa, FL	Receiving dun letters from Publishers Clearing House for a magazine she did not order. PCH refuses to acknowledge the error.
J. G.	She has been buying magazines she cannot read

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Indianapolis, IN	for 5 years. “if I didn’t buy they wouldn’t want me in their contest.” When the winnings failed to appear, she wrote and called American Family Publishers and was advised to send in more solicitations and “use more stickers” on her entries, presumably meaning purchase order stamps.
L. G. Sun City, Arizona	Info from previous hearings. Includes Lindenwold Jewelers, Michigan Bulb, Readers Digest, United Release Center, American Sweepstakes Publishers, CVP, National Lotto Headquarters, Sweepstakes Headquarters, Time, American Family Publishers, U.S. Purchasing Exchange, and others.
E. H. Brando, FL	He spends about \$1000 per year mostly on video cassettes in order to participate in the Publishers Clearing House sweepstakes. “You know they just throw it out if you don’t order.”
G. H. Glen Burnie, MD	Started playing the sweepstakes for entertainment. The mailings became urgent and security screened and now a won nothing.
F. H. Delray Beach, FL	Has been ordering magazines for years because “you have to in order to win the prize . . if you use the ‘NO’ envelope they’ll just throw it out.” She has spent \$1000s over the years. Upon receiving the “You and One Other Person” piece from American Family Publishers, she tried to drive to Tampa to collect her prize but her husband refused.
A. J. Laurelton, NY	Sent in documentation from Publishers Clearing House. Has purchased material from PCH, Reader’s Digest, and United States Purchasing Exchange. Estimated to have spent \$10-20K in last 19 years “Shortly after my husband died in January 1997, Publishers Clearing House sent a promotional mailing that indicated that I was definitely going to win. It was

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implied that I could look forward to a PCH representative coming to my door with a check for me. I was so certain that I was going to win, that I went looking for a new home in Westchester County. Needless to say, I found a house, believing that the money was coming. I made a date to go to contract, still thinking I would be able to put down more than just the down payment. You cannot imagine how stupid and foolish I felt when I found out there was no one coming to give me a check. How embarrassed I was to lose the opportunity to buy my dream house! I could not tell anyone. It was hurtful enough to tell my own daughter.

Yet, I still played their game.

I bought more and more items to try to recoup the monies that I had lost. I obtained cash advances from my credit cards to pay the bills for merchandise from Publishers Clearing House. In the meantime, my daughter is paying her bills and mine to salvage my dignity. Pitifully, I was a Publishers Clearinghouse Sweepstakes addict. I used all available funds at my disposal."

"I am finished with Publishers Clearing House and Reader's Digest. I am finished with all contests. I truly wish I could recoup the monies that I squandered foolishly in the hope that a real pay-off would come my way. I would seek the \$10,000-\$20,000 that I lost. However, that amount would not be enough since no amount of green dollars could replace the indignity of it all; the duplicity that was used to attract me. I once prided myself on being a truly savvy individual."

L. J.
Palm Beach, FL

He put a \$6000 down payment on a new house, packed up all his belongings and waited for his \$11M from American Family Publishers. It never arrived and he was hospitalized with stress related pains. He lost his house, the down payment and another \$7000 that he spent buying books, magazines, and cassettes. He also buys from Reader's Digest.

K. K.

A recent Scandinavian emigre, she believed she won

Pensacola, FL	American Family Publishers and does not understand the disclaimer. She accidentally ordered a magazine while entering the sweeps and cannot understand why a refund is not occurring.
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J. L. Tampa, FL	He has been buying 100s of magazines and books for years. "I'm waiting for the prize patrol to show up about 8 p.m. on Jan 31." He has spent \$5000 over the past 2 years. He shivers at night with no money to fix his oil heater, has little food in his pantry and no car. He has been buying from Publisher's Clearing House and American Family Publishers. "They talk like I'm gonna win. They've sent me plenty of opportunistic literature that says I will."
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M. and J. L. Laguna Hills, CA	Sent mailings from Publishers Clearing House and Time. Also has had problems with Reader's Digest.
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S. L. On behalf of her father VA	Notices from several Sweepstakes. Spent nearly \$6000 -- has boxes of phony jewelry, cameras, etc. Father receives 10 magazines a month that he ordered to enhance his chances of winning.
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G. L. Honolulu, HI	Problems with American Family Publishers, United States Purchasing Exchange, and Reader's Digest. For years, he bought magazines from AFP because he believed he needed to order to participate in the contests. He receives about 10 magazines monthly including multiple subscriptions to the same ones. He pays all invoices and does not track whether he has already paid or not. After receiving "You and One Other Person" solicitations and a "Letter of Instruction" from AFP, he believed he had won the prize and attempted to contact AFP. After repeated unsuccessful tries, he arranged to fly to Tampa to collect his winnings. Once in Tampa, he was told that all prizes had already been awarded.
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<p>R. L. Washington</p>	<p>Flew to Florida to claim American Family Publishers winnings. "If you don't order your entries get sent to Georgia."</p>
<p>J. M. On Behalf of her father New York</p>	<p>Difficulty with United Purchasing Exchange, American Family Publishing, and Reader's Digest. AFP hardest to deal with. Received refunds for purchases her father made to help him win. (\$15K for Purchasing Exchange; \$5K PCH and \$3K from AFP)</p>
<p>A. M. On Behalf of her Father Palm Harbor, FL</p>	<p>Ms. Martini's recently deceased father was heavily involved with sweepstakes. Her mother is now broke because all assets were squandered on sweepstakes. He let his life insurance lapse believing instead that he was a millionaire as Ed McMahon proclaimed. He once flew to Tampa and demanded his daughter take him to the Time Customer Service. The home is filled with CD's and videotapes. She is anguished that her father's life ended without dignity.</p>
<p>R. M. On behalf of his Mother Coral Gables, Florida</p>	<p>Publishers Clearing House and Reader's Digest have bombarded his mother to the point that her psyche has been greatly affected as she waits day after day for her prizes to arrive.</p>
<p>J. M. On behalf of Others Sausalito, CA</p>	<p>Has contact with an elderly cousin and a neighbor who have participated in sweepstakes. Some envelopes look like government documents but are actually from Publishers Clearing House. "I am appalled by the methods subject companies employ to deliberately mislead elderly people with expectations of winning huge sums of money and other 'prizes'."</p>
<p>L. M. Matthews, NC</p>	<p>Has been playing sweepstakes for 35 years and never won anything. He has played Publishers Clearing House, American Family Publishers, Reader's Digest and Food Lion</p>

Sweepstakes.

“Sometimes I miss a meal in order to play because I am so close to a win they say.”

J. M.
On Behalf of her Father
Palm Springs, CA

Her father has paid about 32 different marketers to play sweepstakes over the years. She obtained Power of Attorney and sent letters to all 32 asking them to cease and desist. Publishers Clearing House continued to do so. Appears her father was double invoiced and paid each one. The invoices do not indicate subscriptions are prepaid for many years in advance.

D. M.
Far Rockaway, NY

Flew to Tampa to collect his winnings from American Family Publishers. His pension is \$250 a month and he spent \$200 a month on books and magazines from AFP. The entire pile of mailings with “You Have Won \$11M” prompted him to go to Tampa.

J. M.
Dumont, NJ

Receives 5 or 6 entries each day and 3 or 4 phone calls each week enticing him to order merchandise or donate to an sponsoring charity. He thought he had won an American Family Publishers sweepstakes in Feb 98. **“If you don’t buy it, they won’t put your name in.”**

M. P.
On Behalf of his Father
Jacksonville, FL

His father plays sweeps and spent \$1000 a month buying merchandise from the Las Vegas and Canadian solicitors. The problem started with Publishers Clearing House.

L. P.
Coral Gables, FL

Has purchased magazines since 1986 in order to participate in sweepstakes. **“You have to otherwise it goes to Georgia, and they just throw it in the trash there.”**

A. P.
Opa Locka, FL

Had been buying magazines since 1982 in order to collect her winnings. Thought she had won a prize from

Publishers Clearing House and planned a party but the Prize Patrol did not show up. **“They made me look like a foolish old lady.”**

R. R.
Tustin, CA

Letters written to Publishers Clearing House asking for General in California. No direct letter to PSI. their prize. He has written to PCH and the Attorney General of California.

B. R.
On Behalf of her parents
Willets, CA

Problems with American Family Publishers, Michigan Bulb, Reader's Digest, United Purchasing Exchange, and Opportunities Unlimited. Mailings from Board of Advisors, the American Mint, National Sweepstakes Audit Center, International Monetary Funding, National Cancer Center, Payout Claim Center, Paragon Worldwide Fund, and North American Award Center.
“My parents are victims of the Sweeps cleverly worded mailings which announce that they have won large amounts of money, but it is all really a fraud. Their experience has been tragic as they have lost so much money. They talk as though their money is nearly in the bank, and have even borrowed because, ‘our winnings are being sent any day now’.”

G. R.
Okanogan, WA

Problems with American Family Publishers. Bought magazines and other merchandise. Didn't understand or read the disclaimers.

G. R.
Seattle, WA

She is 80 years old and never played the sweepstakes until the American Family Publishers 1997 campaign with Ed McMahon and Dick Clark. She looked but didn't see any if's, and's or but's. She ordered magazines and couldn't sleep because she was excited about winning. She postponed surgery in anticipation of the arrival of McMahon and Clark with her \$10 M.

J. S.
Brooksville, FL

Mailings from Quickbucks Winners Sweepstakes, RSI Sweepstakes and Prizes, Mellon, Astor, and Fairweather,

APPENDIX I - PAGE 14

NABA, Sweepstakes Administrators, Prize Presentation Committee, Legacy Awards, Cashorama, American Sweepstakes Publishers, Easter Seals, and Enwood, Pressman, and Ingram.

“I was a sucker like many SENIOR CITIZENS in our country.”

<p>M. S. Ft. Myers, FL</p>	<p>She spent approximately \$3000 on magazines, primarily from Publishers Clearing House. She received a call from PCH that she was a \$10M winner and asked how many places she wanted set for her Winners Banquet. She invited her neighbors to a party that didn't happen. “They made me look foolish.”</p>
<hr/>	
<p>S. S. On Behalf of her Mother Grand Cayman</p>	<p>Her mother has been involved with sweeps since 1991. Her mother gets an emotional high from the solicitation and then becomes depressed when the check never arrives.</p>
<hr/>	
<p>H. S. Paramus, NJ</p>	<p>She has played American Family Publishers. Subscribed to 20 magazines in hopes of winning \$11M.</p>
<hr/>	
<p>B. S. Tampa, FL</p>	<p>Trailer was full of magazines primarily <u>Time</u> and <u>Life</u>. She received Time's Guaranteed and Bonded solicitation and believed she had won \$10M. Sheriff's Deputy tried to point out the disclaimers but she was not receptive.</p>
<hr/>	
<p>E. T. Washington</p>	<p>He sold his house and spent approximately \$70,000 in sweepstakes. He was involved with Reader's Digest and his daughter called to have the mailings stopped but they continued.</p>
<hr/>	
<p>R. T. On Behalf of his Mother Montgomery, AL</p>	<p>His mother wrote checks for \$1821 during 1997 to enter contests put on by Publishers Clearing House, Lindenwold Fine Jewelers, National Publishers Sweepstakes, Opportunities Unlimited Publishers, Cash</p>

APPENDIX I - PAGE 15

Masters Prizes, J.T. White Sweepstakes, Guaranteed and Bonded, North American Award Center and Cash Bonus Prizes. Her total winnings were \$1.00. She believed for 18 months that she won every sweepstakes promoted by Publishers Clearing House.

“Clearly our senior citizens are preyed upon by these organizations in the misleading and deceptive correspondence being sent to them.”

B. and C. T.
On Behalf of their Father
Anchorage, AK

Father spends thousands of dollars annually and cannot be convinced that he hasn't won anything. It began with American Family Publishing but is now all types of scams.

A. T.
Ft. Myers, FL

She ordered \$300 worth of magazines from American Family Publishers in order to collect the \$11M prize. She received multiple solicitations and cannot pay the invoices. She has called AFP to cancel but they keep sending her invoices. United States Purchasing Exchange and Michigan Bulb are now sending solicitations.

B. V.
On Behalf of her Father
Tustin, CA

Problems with many companies. Father had 4 large boxes of correspondence from over 30 companies. He spent between \$7500-8000 in 3 months or so writing over 500 checks. B.V. has written to all companies requesting refunds and for her father's name to be removed from the mailing lists.

“From the information he was sent he thought he was about to win thousands of dollars and in some cases the letters indicated he had actually won until the fine print was studied. He thought these winnings would repay the money he was borrowing.”

M. W.
On Behalf of A. and
C. W.

She described a couple who lost their savings, possessions, and home to sweepstakes. They were evicted and are now living under a bridge.

C. W.
On Behalf of her Parents

Both parents suffer from some degree of Alzheimers and play sweeps. Their home is crowded with piles of

Tampa, FL	magazines they are unable to read. C. W. spends hours weekly trying to cancel their orders. They have 5 subscriptions to <u>Time</u> . They are now being solicited by U.S. Purchasing Exchange and others.
M. W. Baltimore, MD	Received the "You and One Other Person Have Won" solicitation from American Family Publishers. She believed she had won and could move her daughters to a safer neighborhood. She borrowed \$1500 to buy a plane ticket to Tampa to be sure to be the first to arrive. When she arrived at Time Customer Service, she was told to wait and then the manager tried to take the entry away from her. She was ridiculed and told to leave.
C. W. Nashville, TN	Problems with American Family Publishers. Thought she won \$50K or \$11M and got neither.
S. W. Dickeyville, WI	Problems with Publishers Clearing House Her father, returned 20 boxes of merchandise that she had bought. PCH denies receiving them and the family is now engaged in collection effort with PCH.
G. W. Chevy Chase, MD	Sent in notice from Reader's Digest "I have finally given up after thousands of dollars and about ten years of trying"
D. W. On behalf of his mother Sioux City, IA	His mother plays sweeps and got her start with Ed McMahon. She spends hundreds monthly and truly believes she has won. The family now has control of her bank account which has caused great family problems.
A. Z. Tahoe,	She believed she had won \$50,000 for just returning her American Family Publishers entry. "When the letter came we all agreed that I had won at least \$50,000. The letter was absolutely

different from anything they had ever sent. If you read it you would really believe you had at least won the \$50,000 consolation prize. It's fraud."

P. Z.
Sanford, FL

He began purchasing magazines with McMahon's likeness because he knows Ed McMahon is a WW II Veteran just like him. He knows that "vets don't lie to each other". He continues to buy because **"if you don't buy, they'll drop you from the mailing list and you can't win."**

S. Z.
On Behalf of her Mother in Law
Jamestown, RI

Her mother in law became hooked on sweepstakes and was spending \$2000 a month on magazines and other products. The family's attempt to convince her that she did not win led to estrangement from the family. She moved to FL and spends her time filling out forms and checks. Despite having her checking account restricted, she gets money orders to continue playing the sweepstakes. She is also attempting to sell the family home in RI to further finance her efforts.

INDIVIDUALS INVOLVED WITH SWEEPSTAKES

MAINE RESIDENTS (22)

<u>NAME</u>	<u>COMMENTS</u>
J. A. Portland, ME	Sent in notice from Time's Guaranteed and Bonded, Capital Claims Division (CCD), American Wealth Distributors, the United Release Center, CCD uses W-2 Prize Entry Form. Believes form are misleading since the forms state he had won a contest or been awarded money. Then, after learning he had to send money, he felt this was case of mail fraud.
V. B. On Behalf of Parents Lewiston, ME	Problems with "Clearing House sweepstakes" His parents are elderly and convinced they won money but think V.B. is stealing the money.
J. B. East Boothbay, ME	Sent copy of mailing from Time Guaranteed and Bonded
C. C. On behalf of his father Rumford, ME	Father receives 5-20 sweepstakes letters a day. His Alzheimer's impairs his ability to understand he has not won a prize. He spent more than \$18,000 in one year entering these contests.
J. C. On Behalf of her Cousin Hallowell, ME	J. C.'s 96 year old cousin receives sweepstakes mailings and regularly sends money in hopes of collecting her prizes. Two examples from Consumer Enrichment Center and United Release Center.
E. G. Arundel, ME	Problems with Publishers Clearing House "... As usual it is the people who can least afford it that are being duped."

K. G. Presque Isle, ME	Received mailing from McCall's indicating she was one of the \$1M winners. Mailing also hoped she would subscribe. Constituent thinks this is an invasion of privacy.
B. G. Milo, ME	Sent compliant regarding Publishers Clearing House to the Attorney General's Office in Augusta.
J. G. Machiasport, ME	Notification of cash currently being held by U.S. Government. \$9.97 amount due needed for immediate delivery of prize. Notice sent from Cash Claim Service. "Just when did the Federal Government go into the lottery business? This is the first time that I have known that the U.S. Government is holding ... money that belongs to me and all I have to do is send less than \$10.00 and I can get this money."
K. H. Bangor, ME	A bill from Publishers Clearing House was enclosed. She ordered a year's subscription but the bill had the year plus "extra issues ordered." "I had ordered a one year subscription to Veg. Times from Publishers Clearing House. As you can see the enclosed bill they tell me I made the first part of my payment and that I ordered extra issues. I can assure you I did not. I ordered one year and paid for one year. I am ten times more angry over this fraud than the car one because I can only imagine how many poor people get taken in this scam. Would you please write to them for me and have some tough law passed so that the consumer isn't ripped off like this."
D. H. Aroostock, ME	Received the "You and One Other Person" solicitation from American Family Publishers and believed she won. She purchased magazine because she "thought chances of them coming through on guarantee would be better if I purchased. I thought if I didn't they would just throw my entry away." Also gets solicitations from Publishers Clearing House, Reader's Digest, and DUSPE. "The only reason I entered is because they said that the

\$50,000 was guaranteed. . . . I don't normally enter these things. A guarantee, to me, means definite."

M. H. On Behalf of Uncle Saco, ME	Indicated uncle is controlled by hope of winning sweepstakes. He stays home in case of notification, plans his winnings, and purchases unnecessary items to increase his chances.
H. J. On Behalf of his Sister Bangor, ME	His sister died in 1998. Before her death, she was sending thousands of dollars in response to sweepstakes offerings. Mailing from Time's Guaranteed and Bonded. He believes they are targeting Senior Citizens with Special Rates.
E. L. Acton, ME	Sweepstakes 1040-K Prize Processing Form sent in from American Wealth Distributors asking for money to send commodities certificates for prizes.
C. M. South Berwick, ME	Giveaway Notices from Publishers Clearing House Bureau of Unclaimed Prizes. Giveaway No. 525 for 7/31/99 was for \$5M and new contest forms for January 1999 reduced Giveaway No. 525 to \$1M. Constituent wanted to know what was going on.
S. M. Sanford, ME	Glad to see GOP working to protect little guy.
B. O. On Behalf of his mother Falmouth, ME	His mother received an envelope that he felt was intentionally made to look like a Social Security Check. Mailing was from Sears.
R. R. Sanford, ME	Sent in a copy of a \$300 credit voucher from Sweepstakes Clearinghouse, a Division of Allied Marketing Group, Inc.

M. S.
Augusta, ME

Problem with American Family Publishing
“I like to think I am fairly intelligent – I have a Masters degree in Psychology. Although I have the ability to read carefully, cross-reference and come to conclusions based on those abilities, my concern was for people with other circumstances such as difficulty reasoning, gullible, those in financial trouble – any number of circumstances which could lead a person to ‘misread’ or ‘misinterpret’ what was read.”

“The biggest problem is that so many normally reasonable people are ordering so many magazines they neither want nor really want. And with each mailing, they’re made to believe that they should order more magazines to start the running. Especially people who can least afford it.”

C. T.
Cape Elizabeth, ME

Enclosed samples of numerous sweepstakes offers.
“Enclosed are samples of numerous direct mail pieces received which I feel are extremely misleading. They portend to be sweepstakes, but each requires a monetary ‘contribution’ as part of the reply to obtain ‘winnings.’ Not only do I not want these solicitations, quite a few of which come from abroad or appear to come from other countries, but I fear that many people would be duped into thinking they have actually won something, and would send in the dollars, which is, of course, the scam.”

M. V.
Portland, ME

Bought greeting cards and Christmas presents from Publishers Clearing House. Has received numerous “guaranteed winner” letters over the past 2 years. Has sent responses back to them. Wants to know “Why is this happening?”

J. W.
Brooklin, ME

Sent in numerous sweepstakes notices he received from American Family Publishers and Time and others.

**SAMPLES OF CORRESPONDENCE RECEIVED BY
SENATOR CARL LEVIN, RANKING MINORITY MEMBER,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
IN RESPONSE TO THE HEARINGS**

**Following the Subcommittee's hearings, Subcommittee Members
received hundreds of letters and e-mails similar to those provided
by our witnesses. These are samples of those letters.**

Author:
Date: 3/9/99 9:37 AM
Normal
TO: senator at Levin-DC
Subject: Thank you :-) 3-9-99

----- Message Contents

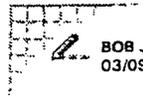
Dear Senator Levin, 3-9-99

I am SO glad you are trying to do something about these companies that send out these offers that people have won something and then they find out that the information is not truthful. My mother is 90 years old and you CANNOT convince her that you DO NOT have to order something from them to win. She knows that the practices are wrong and that her chances are next to zero and no matter how much I try to convince her that they are practicing JUST within the law, she still sends them money for things she does not need or want. She even bought videos from both Publisher's Clearing House and Reader's Digest when she did not even have a VHS! She would give the gifts to family and friends and pay double the price she would pay anywhere else, PLUS she would NEVER have bought them in a store. She even had me travel 60 miles to stay with her because Publisher's Clearing House said they were coming to give her the million \$\$ prize. Guess what? They never showed up...surprise, surprise. To try to convince her that they were not truthful was hopeless. Even after that Publisher's Clearing House sent her a hang tag and told her "she had won" and to put it on her door on a specific day, and they would come and give her her million dollars. She put it on her front door to let them know where she lived so they could deliver her the check. Guess what? It was not until my cousin told her that he too had the same tag that she was suspicious, but believed that the Company surely meant that SHE had won and had just given him the tag by mistake. She cleaned her house, prepared a meal and even baked a pie waiting for them and she slept on her couch so she would not miss them or not hear them when they came to her door. Imagine the sorrow and disappointment she felt as the evening went on and on and they did not show up at her door. It absolutely breaks my heart to see this wonderful person of 90 years, being put through this over and over and over. Each time they tell her that she "HAS WON" if she would just send in her order for MORE merchandise. When they give you 2 envelopes and one says "NO" and one says "YES" for their order, there is not one senior citizen that does not believe that if you do not send in the "YES" envelope, you will not win. Ask them. I did. This is something that has gone on and on and hurt so many families that are trying to help their parents and many of us are a distance away from them and trying to care for them and help them and then these companies intrude on their and our privacy. The senior citizen can easily do these mailings and family doesn't even know about it until it has gone on for a long time. You would think my mother would stop. We sure have tried to make it clear to her about the next to zero chance she has to win, but these companies are so convincing and their tactics are so shrewd, that it is impossible to get your parent to stop listening to these companies. She has ordered the Child magazine from them and guess what? She does not have any little children or little grandchildren that this information would even benefit her! I cannot tell you how grateful I am that you are trying to do something about these companies. Our hope is that you and Senator Collins can get something done about them. It is LONG overdue! Also, you never mentioned Michigan Bulb and there are some more companies out there that are starting to do the very same type of advertising. PLEASE check on them too. Again, thanks so very, very much and we hope you get something done that will make them stop sending this stuff to senior citizens. It is like an armchair lottery with no chance of winning.

Reader's Digest just sent my mother another one of their "offers" and this time the prize is an automobile. Her comment to me, as I tried to discourage her from entering this contest, was "just imagine how happy and surprised I

will be if they pull that car up in my driveway. I will give it to you." The senior citizens are not thinking of these prizes for themselves, they want it for their loved ones and that makes it even more heartbreaking for everyone involved. She even had someone come clean her driveway out of snow, so they could drive that car right into her driveway with no problem. This goes on and on. Now there are more and more companies doing the same tricks and the battle goes on and on to try and protect your wonderful parent who has given everything to you and you love so deeply. They need their small income to provide for themselves and to buy the necessities of life. They go without food, heat, electricity medical care and all the things they need, just to send money to these companies for things they do not need nor will ever have a use for. It is the saddest thing and the most despicable thing that these companies are allowed to continue on and on in this deceptive practices. PLEASE help us to protect these older loved ones in our society. They need your help and protection.

Most Sincerely,
Mary Mawhinney



BOB JENKINS
03/09/99 12:34 PM

To: senator@collins.senate.gov
cc: dick@durbin.senate.gov, senator_fitzgerald@fitzgerald.senate.gov
Subject: SWEEPSTAKES INDUSTRY IMPACT ON THE ELDERLY - ANOTHER STORY

Senator Collins,

I am writing you as a result of watching the ABC 20/20 news program that aired on 8 March 1999 at 8:00 PM (EST). The program segment on the Sweepstakes Industry has compelled me to write you. The story that I will be detailing to you concerns an elderly lady in her 80s who lives in a little town called Illinois. Her name is Mildred , she is a long time resident of this town dating back to the 1930s. Her husband, Glen, of some 55 years died in 1989. They had no children and Millie lives by herself. Her only source of income is her Social Security check.

In 1989 when Millie's husband died they had little savings as a result of medical bills associated with a stroke that Millie had had a number of years earlier. Being alone she began to submit entries to the Publishers Clearinghouse Sweepstakes and the Reader's Digest Sweepstakes. They would send official looking sweepstakes documentation back to her, leading her to believe that she was going to be a winner. They also sold her name and address to other sweepstakes, gaming and lottery industry companies who in turn also sold her name. Millie now receives thousands of pieces of sweepstakes, gaming and lottery mail from probably every company in the industry. In 1995 I received a phone call from Millie, she was upset because she needed to borrow money to pay her household bills. By this time she had become obsessed and dependent upon the sweepstakes material that she was receiving. She was spending hundreds of dollars a week sending these companies money orders. She believed that she was going to be a winner because of all the official looking misleading documentation she was receiving from these companies. She believed and was misled.

By the time Millie called me for assistance she had 60 dollars left in her savings account. I provided her with the resources and a budget plan so that she could get herself back on track. I audited her savings account. I found that she had spent the marginal savings of \$6000 that she had accumulated, since her husband's death, in about six months time. She had been spending her savings and her Social Security income at an accelerating rate on these sweepstakes entries until she was almost broke. They had convinced her that she was going to be a big winner and she believed it. I went through her home with her as part of the process to get her back on a sound financial track. What I found was unbelievable. I carted out eight large hefty trash bags full of sweepstakes entry material. I found thousands of dollars worth of money order receipts made out in small amounts usually ranging from \$5 to \$50. I found money orders that she had just purchased and was getting ready to send. I found material hidden under her mattress and other places where she had squirreled away entry materials. She had not quit playing the games and sweepstakes.

I contacted the Mayor who is a friend of mine, we talked to the police and the local Post Master. I let them see the hefty bags full of sweepstakes material and the money order receipts. There was nothing that anyone could do to protect Millie from these companies who were draining her of her money. I know that she was a willing participant but these companies know how to hook and manipulate the elderly. I called the State Attorney's Office in Chicago and the Federal Attorney's Office. They sympathized and understood the situation but could do nothing. I contacted the services recommended by the Postal Service to remove Millie from the mailing lists. These services do not work. I considered attempting to contact the companies individually and demand that they

remove her from their mailings. This as it turns out is an impossible task.

Millie is still playing the sweepstakes and games that she receives in the mail. She continues to send them money. She tries to hide the fact that she is still playing and spending money. Her home is again littered with entry material. Those who know her have all tried to get her to quit but she still believes that she will win. These companies know the fine art of manipulating our trusting elderly who need our protection. A record of her money order purchases are on file at the grocery store where she buys them. The ex-mayor, the police, the postmaster, the mailman, all her neighbors and friends know what is going on here and they are all powerless to put a stop to it. Even I am powerless to put a stop to this travesty.

Thank you for taking your valuable time to read my correspondence and thank you for your efforts to stop the unethical behavior of these companies.

Respectfully,
Bob Jenkins 

 wanchik orthotic devices inc.

22 MAR 15 PM 4:57

Senator Carl Levin
Senate Governmental Subcommittee
432 Hart Senate Office Bldg.
Washington DC 20510

Dear Senator Levin,

I just watched your committee meeting on T.V. concerning problems with sweepstakes.

I had a young male cousin from Patton Penna who was from a poor small town family. In talking to his sister I found out his suicide was probably due to the fact that he indeed was a winner of one of those sweepstakes and was elated thinking he could help his family & when he found out he wasn't a winner he got very depressed and shot himself.

It makes me wonder if there were any other deaths due to this kind of deception. Please consider those who through lack of education or understanding are being taken advantage of.

Please pass a very tough bill limiting or eliminating such practices.

Sincerely

Joseph Wanchik C.O. OT.

March 8, 1999

Senator Carl Levin et al
Subcommittee on Practices of Sweepstakes Companies

Dear Senators:

I have been doing the USPE Sweepstakes for years. My family keeps complaining and I have been so duped I could not quit, until I heard your broadcast March 8, 1999. I'm not stupid(anymore), but when I heard a witness who sounded just like me, and when I thought of all the money wasted for absolute junk, I quit forever. I sat down and added up the checks I spent and was in shock. USPE convinced me that I was the top contender in the three-million dollar prize. I'm 81 years old and I have no way of helping put my grandchildren through college, so I figured this would do it.

Believe me, I have unopened boxes of junk prizes in my attic. The merchandise is not good quality, but that isn't the worst problem. With each order you are asked to pay \$2.97 for useless junk you don't want plus \$6 or \$7 for postage plus \$1.60 for insurance plus the cost of the item you ordered. Therefore, you must spend \$10 or \$11 on top of the cost of the article you bought, which can be from \$10 to \$50.

Thank you for coming on TV and making me realize what a fool I've been.

I wrote to USPE about a year ago, and asked them not to send me any more mail, as I could not afford it. They sent a letter saying, I didn't have to buy anything; just send in a 3x5 with name of contest and my name. I discovered there were 5 or 6 contests in each envelope. All their envelopes have so much paper to return, it costs 66 cents(2 stamps).

I'm afraid you'll have to do more than make the writing large saying you do not have to buy. I for one, DO NOT WANT ANY MAIL FROM USPE, READER'S DIGEST, TIME, OR ED MCMAHON. Thanks for all your efforts. They are appreciated.

Sincerely and Gratefully,

Margaret Toothill
Margaret Toothill

Check n.

2241	32.48	2352	30.80	
2257	44.46	2364	35.47	289.93
2255	37.91	2365	42.03	516.50
2265	37.44	2379	46.94	177.90
2281	45.46	2403	28.46	288.02
2284	61.72		177.90	
2286	38.46	2405	36.87	\$1272.35
		2483	42.81	
		2494	36.94	
	287.93		266.02	
2289	32.46			
2298	35.46			
2299	45.06			
2323	36.48			
2340	31.06			
2349	46.05			
	516.50			

I spent \$1272.35 - Not including postage.
 "Fools and their money are easily parted."

OFFICIAL ADVISORY: USPE BRAND NEW LINCOLN GIVEAWAY

You Have Been Targeted...

...to receive this Official Advisory of USPE's Brand New Lincoln Giveaway. It's true—we are giving away a beautiful Brand New Lincoln Town Car valued at \$37,000.00! Imagine the looks on the faces of your friends, neighbors, and relatives when they see you driving a brand new Lincoln! In fact, YOU COULD ALREADY BE THE LINCOLN'S WINNER! If you have and return the Certificate with the correct letter-number combination in the winning sequence, we will be delighted to announce you won the Brand New Lincoln Car!

A-7

You Are the Guaranteed Recipient of a Lincoln Entry Certificate!

That's right! THE JUDGES HAVE ALREADY PRE-SELECTED THE WINNING CERTIFICATE AND IT COULD VERY WELL BE THE ONE YOU ARE HOLDING RIGHT NOW! Scratch off the Lincoln Entry Box on your Certificate below. Although we cannot reveal the winning letter-number combination and sequence at this time, we can tell you this:

THE WINNING LETTER-NUMBER COMBINATION CONSISTS OF 2 FIGURES: THE LETTER "A" AND THE NUMBER "7"

Scratch off your Lincoln Entry Box below now to reveal whether your letter-number combination consists of 2 figures—the letter "A" and the number "7." While revealing an "A" and a "7" is no guarantee of winning, the winning letter-number combination will definitely include an "A" and a "7." Only the judges know who will receive the winning sequence on their USPE BRAND NEW LINCOLN Entry Certificate. If you have and return a USPE Brand New Lincoln Entry Certificate with a 2-figure letter-number combination consisting of an "A" and a "7," you have either automatically won the Lincoln or you are eligible to win the Lincoln in a closed random drawing! We're sorry, but if you do not reveal a 2-figure letter-number combination consisting of an "A" and a "7," you are not eligible for a Lincoln at this time. If you revealed the two figures, "A" and a "7," please return your Certificate immediately with your catalog order! Purchase not required. See sweepstakes rules enclosed. A beautiful Brand New Lincoln Town Car is awaiting the winner! Act now!

I had both

SCRATCH ALONG DOTTED LINE

Shirley R. McMenamin

Senator Carl Levin
Washington, D.C.

Fax: (202) 224-1388

Dear Honorable Levin:

I was very glad to see you as a member of the subcommittee investigating the practices of sweepstakes companies. Our household, too, is inundated by sweepstakes mailings. I was particularly taken by your comment today regarding a portion of the testimony to be given by a representative from Readers Digest. I would just like to give you my immediate reaction to that anticipated testimony as follows:

When we receive this "junk" mail, my interest is drawn only to the lure of winning a large amount of money, and NOT to what they are trying to sell me. In fact, I look upon the merchandise they are advertising in their letter as a very annoying nuisance. If the product they were trying to sell me was of such good quality and price to merit my purchasing it, then it shouldn't be necessary for them to have to advertise it by deception. I would just like to add that I, as a way of protest, am cancelling my subscription to their magazine, and four other subscriptions that are provided as gifts to our children. It's a shame that a once reputable company has ruined their image with such shady and questionable practices.

Please let me know if there is anything I, as an individual citizen, can do to help enact this legislation as quickly as possible. I look forward to tomorrow's hearing.

Shirley R. McMenamin

The Honorable Carl Levin
United States Senator
459 Russell Senate Office Bldg.
Washington D.C. 20510

Re: A Sweepstakes mailer that says the person has the winning number and will be paid \$1666,675.00, if the number is returned.

Dear Senator Levin:

I am writing to you rather than a senator from my state, because I know of your long concern about the fleecing of senior citizens by the magazine merchants.

The one that is enclosed is unusual. In addition to containing the usual language that the addressee will be paid the prize, if they have and return the winning number, it also says that Number DG3E1MY42 is registered to Robert Kerr and that Robert Kerr will be paid the \$1,666,675.00, if he has and returns the winning number.

Notice the paragraph that says: Dear Mr. Kerr, we are happy to confirm that Number DG3E1MY42 matches the Grand Prize winning number pre-selected by our computer and you will(receive the money if you mail the number back.)

Well, naturally my wife and I were over-joyed. Here was a bona fide winner at last. We ordered the magazine and sent the entry back on the "entry/renewal" form. Time magazine cashed our check, but that's all.

Senator Levin, I am told that Time Inc., a subsidiary of the powerful Time-Warner company is too powerful a company for any one to take on. I feel that they owe my wife and I the money. Could you ask Time why they do not pay us as promised?

Could you ask Time Inc., what the words mean, if they don't mean what they clearly say?

Sir, I submit that If you or I obtained money from people by making these kinds of representations, any prosecutor in the country was have us in the penitentiary dammed quick. Is Time Inc. too big to prosecute?

~~Most Respectfully,~~


Robert Kerr

\$1,666,675.00 GRAND PRIZE ASSIGNMENT

If you have and return the Grand Prize winning number, we'll announce
WE CAN NOW CONFIRM DG3E1MY42 IS THE WINNING NUMBER:
MR ROBERT KERR WINS \$1,666,675.00

and if you have the winning number, the current status of winners in sweepstakes presented by TIME would read as follows:

MR ROBERT KERR \$1,666,675.00 WINNER MARY HOLDRIDGE \$1,000,000.00 WINNER	<input type="checkbox"/> WINNING NUMBER RETURNED <input checked="" type="checkbox"/> WINNING NUMBER AWAITED <input checked="" type="checkbox"/> WINNING NUMBER RETURNED AWAITED
--	--

GRAND PRIZE CLAIM NUMBER
DG3E1MY42
RESIDENTS: MR ROBERT KERR

Notice this number
 DG3E1MY42 is
 registered to Kerr

This same number
 DG3E1MY42 is the
 winning number.

If your prize claim number is
MR ROBERT KERR
SO WE CAN!

Error? Copy of Time Inc. Letter to Kerr, with Winning Number

Dear Mr. Kerr:

We are happy to confirm that number DG3E1MY42 matches the Grand Prize winning number processed by our computer and MR ROBERT KERR will receive \$1,666,675.00, provided you have and return the Grand Prize winning number according to the terms stated in this letter.

Not too long ago, Mary Holdridge received a sweepstakes entry similar to the one you're now holding, containing the same winning number registered in her name. Luckily, she had the good sense to return it, because she was later awarded \$1,000,000.00.

Now we're waiting to receive your entry, MR ROBERT KERR. The \$1,666,675.00 next to your name is ready to be awarded. So it's urgent that you act at once because, if you are holding the winning number right now ...

YOU MUST RETURN THE KERR ENTRY, OR

THE \$1,666,675.00 WILL BE AWARDED TO SOMEONE ELSE.

The \$1,666,675.00 prize - payable in 25 annual installments of \$66,667.00 - is guaranteed to be awarded, whether we hear from you or not, MR ROBERT KERR. So if we do not receive your entry, we'll simply have no other choice but to give the money to an alternate winner, even if you're holding the winning number.

For this very reason, I urge you to take the following steps now: (1) Affix the Grand Prize Seal where indicated below. (2) Return your entry in the reply envelope provided, and mail today.

(Over, please)

GRAND PRIZE
\$1,666,675.00

LOW RATE
\$1,666,675.00

GRAND PRIZE ENTRY

PRESENTS THE **GRAND PRIZE ENTRY**

Remember now, MR ROBERT KERR, and claim your savings of 77% a \$2.55 cover price.

MR ROBERT KERR

Grand Prize Number Issued to: MR ROBERT KERR

DOSEIMYZ

569118KRRD17591 | DOCLUNS D03E1MY42 | 0408 B

YOUR ACCOUNT NUMBER

Check and see:
 Payment enclosed
 Bill me in 3 installments
 Bill me in 3 installments monthly

NOTE: The box on the "Entry/Renewal" form that I checked before I sent the form in, requests that I be billed in 3 equal installments.

ENTRY/RENEWAL SAVINGS CERTIFICATE

THIS ENTRY FORM WITH THE WINNING SEAL BEARING NUMBER DOSEIMYZ WAS SENT BACK TO THE SWEEPSTAKES ALONG WITH THE RENEWAL SUBSCRIPTION TO THE MAGAZINE

CHANGE	.00

**** U.S. POSTAL SERVICE ****	
6850 SPRING MTN	89102
314888	32.00
JEFF	# 03
84-24-97	11:27:11

CUSTOMER RECEIPT	

893 PAK PROD SALES	.45
189 POST VAL TRF	1.42

TOTAL	1.87
CASH T	1.87

CHANGE	.00

*** THANK YOU ***	

POST OFFICE
 RECEIPT
 SHOWING
 CERTIFIED
 MAIL TO
 THE
 BROWNS
 GUARANTEED
 SLEEPSTAKE
 RETURNING
 THE
 WINNING
 NUMBER

P 417 242 404

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to	GUARANTEED BROWNS
Street Number	PO Box 600.1 SW 52nd St
Post Office, State, & ZIP Code	TAMPA FLA 33660
Postage	\$ 32
Certified Fee	1.10
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 142
Postmark or Date	APR 21 1995

m 3800 April 1995

CHANGE	.00
--------	-----

**** U.S. POSTAL SERVICE ****

6850 SPRING MTN	89102
314888	32.00
JEFF	# 03
84-24-97	11:27:11

CUSTOMER RECEIPT

093 PACK PROD SALES	.45
109 POST VAL TRF	1.42
TOTAL	1.87
CASH T	1.87
CHANGE	.00

*** THANK YOU ***

P 417 242 404

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to	GUARANTEED & BROWN
Street Number	PO Box 60001 SWISS
Post Office, State, & ZIP Code	TIMPA FLA 33660
Postage	\$ 32
Certified Fee	1.10
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 142
Postmark or Date	

PS Form 3800, April 1995

Certified Mail Receipt for returning the "Entry Renewal" form with the winning number DG3E1MY42 to Time's "Guaranteed &

TIME

P.O. BOX 60001, TAMPA, FL 33660-0001

Important: Return this bill with your check or money order. If you disregard this notice if you have already sent payment.

1620 INU28 11RT2 T4R830CH

MR ROBERT KERR

ISSUES	52
PRICE PER ISSUE	68¢
TOTAL AMOUNT DUE	\$34.95

581041CF1830

589118KRRDN975R91 00100011654 TDC9712906 40
YOUR ACCOUNT NUMBER

Please mail payment by 06/07/97 this date.

Detach here. Return upper portion with check payable to: TIME

PAYMENT SCHEDULE (KEEP FOR YOUR RECORDS)

INSTALLMENT	PAYMENT BY	AMOUNT DUE	AMOUNT PAID
FIRST	06/07/97	\$11.65	\$0.00
SECOND	07/05/97	\$11.65	\$0.00
THIRD	08/02/97	\$11.65	\$0.00
TOTAL		\$34.95	\$0.00

Dear Mr. Kerr,

Thank you for your order. The bill you asked us to send is attached above, and payment is due now. We are billing you in 3 installments. You must mail your first installment of \$11.65 by

There is a constant, fast Street from TV, radio, news the issues that affect your life the big picture of world and happening and why -- what

The publishers of TIME continuation of a long, close KERR.

This letter showing the billing in three installments proves that Time received the "Entry Renewal" form with the winning Number and the box checked for billing in three installments

understand
; gives you
I what's
will be the
OBERT

BT

P.S. TIME has just started. don't risk having your subscri don't risk having your subscri payment of \$11.65 today! If you have already sent proper payment in response to the order acknowledgement, please disregard this notice.

KERR. Please mail your

March 12, 1999

<p>To: President Bill Clinton The White House 1600 Pennsylvania Ave. N.W. Washington, D.C. 205010</p> <p>Vice-President Al Gore United States Senate Washington, D.C. 20013-7713</p> <p>Senator Trent Lott United States Senate Washington, D.C. 20013-7713</p> <p>Senator Tom Daschle United States Senate Washington, D.C. 20013-7713</p> <p>Senator Susan Collins United States Senate Washington, D.C. 20013-7713</p> <p>→ Senator Carl Levin United States Senate Washington, D.C. 20013-7713</p>	<p>Senator Patty Murray P.O. Box 37713 United States Senate Washington, D.C. 20013-7713</p> <p>Senator Slade Gorton 730 Hart Senate Office Building Washington, D.C. 20510-4701</p> <p>Senator Ron Wyden U.S. Senate Washington, D.C. 20013-7713</p> <p>Senator Gordon Smith United States Senate Washington D.C. 20013-7713</p> <p>and To Whom it May Concern</p>
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Re: Sweepstakes Scams and Fraudulent Advertisements and Letters
(See copy of article attached)

Personally, I urge the Senate to fully investigate this matter from every state since it is nationwide, and come up with protective legislation and pass it, and I urge the President to approve this legislation.

Further, this legislation should stop fraud and return at least seventy-five per cent of funds so obtained from fraudulent advertisement and letters to the customer or to the estate thereof retroactive for about five years.

My neighbor watched the committee meeting when representatives of the big four (see copy attached), and was so disgusted with the witnesses' answers to questions from committee members that he tore up an order he was sending in.

My congratulations to the committee for their preparedness and cordiality to the witnesses. Personally, I did not find the committee hostile nor outraged as the article's author indicated.

If lobbyists are allowed to persuade senators to vote against good legislation, then perhaps our Senate does not meet the expectations of the American people. Also, this subject is not a bi-partisan issue.

See Page 2 for the story of my oldest brother who in a matter of 4 years sent checks for \$108,000.00, the majority of which went to Publishers Clearing House.

(The hearings with the witnesses that I saw on T.V. should be viewed by all senators.)

Page - 2

About my brother, Jerry, who would have been seventy-nine on April of this year had he not died on Valentine's day on February 14. He was born to poor farm people in Iowa, later went to California and achieved financial success through hard work farming.

Later he moved to Missouri _____ He tried to continue successfully, but due to surgery of prostate cancer, failure of kidney function, minor strokes, a short duration on dialysis (no kidney transplant was available to him) and at the end suffered a massive stroke approximately January 24, 1999 which resulted in a coma which lasted three weeks before his demise.

Jerry was a proud man, and in his last years, he continued his endeavor for financial success being positive that because of letters of encouragement from some of the big four (Publisher's Clearinghouse, etc.), he was going to be delivered a check for the sweepstakes.

He knew his money was getting lower and lower, but hope was his last resort.

He probably did not see the printing in small type (if it was there) .

The \$108,000.00 was only for a period of four years; however, there probably were checks before and after that were not found . He was a good keeper of records, and the executor of his will when finding checks for such a large amount, the unopened boxes, the many notices in his office, contacted authorities

My brother who in days before illnesses kept his home office in immaculate organization locked the office door so family could not see the mess of all the promising notices, the boxes some ordered and others not ordered, and the fact that car insurance and property taxes for 1998 were not paid. (IT APPEARED FROM THE VARIETY OF REQUESTS AND NOTICES, HE HAD BEEN TARGETED.) The office appeared as if he had just tossed in the mail when it came (what a mess).

At this point I will quote from the article attached "The point of our mailings is not to convince people they've won a sweepstakes, but rather to be excited about the possibility of winning and to consider our products."

Really?

Since January 20, 1999 to this date (I have been told) people are still phoning the house asking for him, and when they are told he is not there they immediately hang up without leaving a name or phone number; mailings are still coming in letters and also boxes.

It is as if some huge swindling machine has been turned on and no one knows where the switch is to turn it off.

Many families of old, ill, ^{and} vulnerable people are counting on you, Congress, to put a stop to this. We are crying out here in all of the U.S.
Erma A. Higginbotham,

Author:
Date: 3/10/99 12:10 PM
Normal
TO: senator at Levin-DC
Subject: sweepstakes
----- Message Contents

From:
Roberta Urbani

Senator Levin:

I am writing to urge you to aggressively deal with the cruel perpetrators of fraud known as the American Family Publishers Sweepstakes and others of their ilk.

My mother died last year after suffering from Alzheimer's Disease. In the early stages of her disease she was a victim of these sweepstakes promotions. She was so firmly convinced that she would win that she did not want to take a family vacation to Italy in 1989 because it would coincide with the announcement of the next big winner. She insisted on buying magazines that she and my father could ill afford. Her illness fed her fixation with the sweepstakes, which exacerbated my father's congestive heart failure. He died in 1992.

It may seem ridiculous, but I feel tremendous resentment towards Ed McMahon. I hold him personally responsible for some small portion of my parents' suffering and deaths. By lending his name to this organization, he gives it credibility, and I'm sure he is well-paid for his endorsement.

These companies prey on the most vulnerable members of society to make obscene profits. They provide no socially redeeming goods and services. Obviously, magazines are available anywhere without such sinister marketing.

I don't know what you can do in the context of our free market to stop this exploitation of our elderly and vulnerable citizens. I am grateful that your investigation is providing publicity about their sleazy practices and educating the public.

Sincerely,

Roberta Urbani

Author:
Date: 3/10/99 1:18 AM
Normal
TO: senator at Levin-DC
Subject: Fwd: Sweepstakes bill

----- Message Contents

Dear Senator Collins:

I am relieved to hear that you are involved in potential legislation regarding deceptive mail sweepstakes promotions. My family has experienced the deleterious impact of uncontrolled sweepstakes solicitations as follows:

My grandmother, age 90, has received countless such solicitations, and was absolutely CONVINCED that she was going to win millions of dollars if she assiduously followed all the enclosed detailed instructions (e.g., placing stickers in different locations, purchasing poorly manufactured and unneeded merchandise, ordering irrelevant publications, etc.). She has spent what little money she has on the junk offered by these various entities, in the futile hope that her purchases will increase her chances of winning. (For example, she is a Queens, NY resident, who doesn't drive and has no car, yet she bought car mats from one of these solicitations!!)

She has been so obsessed by this venture that, as she lay in bed during her recent hospitalization, she asked for my opinion about whether she should allow TV cameras into her apartment "after" she won, while frantically hiding her "winning" stickers from "prying" and potential "thieves" in her room, namely the hospital staff who were trying to serve her meal....

I subsequently contacted a listing service that apparently was making her name and address available to some of the soliciting companies. I had her name removed, only after I sent this service a written demand that they do so in the form and manner that this service advised me they required.

When my grandmother learned of my actions (because some of the mailings eventually ceased, and she was advised by the same listing service that her name had been removed upon the written request of her granddaughter), she became enraged with, and has been estranged from me ever since.

In sum, I strongly support any legislation that would curtail the actions of these mail sweepstakes entities. It is travesty that these companies have had unbridled access to the elderly and to the gullible for so long.

With my thanks, I am,

Very truly yours,
Terri L. Weiss

Author: "Joel C. Ewing"
Date: 3/10/99 12:27 AM
Normal
TO: senator at Levin-DC
Subject: Sweepstakes Hearings - Right On!
----- Message Contents

We are not residents of Michigan but want to express our appreciation to you and your fellow Subcommittee members for exposing the excesses of the sweepstakes industry to the public ridicule it so richly deserves and initiating steps toward a remedy. It is pleasant to see the Senate engaging in something useful.

Before my wife's 87 year old mother was confined to a Care Center about a year ago (where her mail can now be screened by friends), she was regularly fooled by the deceptive practices of these companies into thinking she really was a "finalist" and about to strike it rich. We live 300 miles away, and at least once a month I would with great difficulty have to bring her back down to reality over the phone. Fortunately she was only enticed to spend hundreds of dollars per year on books and videos she didn't need (primarily Reader's Digest and Time Inc.) rather than the thousands experienced by some victims; but even though her financial losses weren't excessive, the games these firms played with her emotions bordered on abuse and should not be permitted. The tricks used by these companies: the official looking documents, the personalized letters, the abuse of the English language that implies you are a small select group instead of just one of millions, the faked forms to arrange for travel and delivery of prizes, all of these are practices deliberately designed to deceive the trusting or unwary. Even when I know these documents can't mean what they appear to mean, I sometimes have to spend 10 minutes carefully reading all the fine print before I can find the critical "if" which means the whole letter is worthless. The elderly person with failing eyesight hasn't a chance.

The remedies I heard discussed by the subcommittee sound like steps in the right direction. One item which I don't remember hearing discussed might be a requirement that all sweepstakes offers also include an address and 800 phone number of a Central Clearinghouse where you could register to exclude a name from being a target for ALL sweepstakes offers and require companies to honor such a listing. While this might not be exercised by the typical victim, it would at least make it easier for relatives or other guardians to stem the flood of junk mail when they have to take over the affairs of a victim.

One solution with much poetic justice, but probably too difficult to implement, would be to require that if a junk mailer misrepresents their offers in a way that would lead a reasonably literate person studying the documents for a minute to be convinced they have been awarded a significant prize, then the advertiser will be required to award that prize to all responders to the letter as if the "hidden" conditional clauses were not present!

--
Joel C. Ewing,

Author:
Date: 3/9/99 2:27 PM
Normal
TO: senator at Levin-DC
Subject: Sweepstakes

----- Message Contents

I saw in todays Detroit Free Press that you are on the subcommittee investigating sweepstakes scams. Hopefully there can be some legislation stopping these scams that I think especially target the elderly. In the 2 years between my mothers death in Dec. 1988 and his going into a nursing home in Dec 1990 I estimate that my father spent between 50,000 and 100,000 on these sweepstakes. One of the things I noticed was that a great deal of the money was sent with bank drafts & money orders and sent fed ex, I presume to avoid stop payments on personal checks and to avoid mail fraud.

Sincerely,
Alan J. Doerr

Author:
Date: 3/9/99 11:38 PM
Normal
TO: senator at Levin-DC
Subject: Attention:Sweepstakes Information
----- Message Contents

Dear Senator Levin,

I am currently watching the sweepstakes hearing on C-Span and I must say that I am sickened and appalled by what I am hearing from the sweepstakes representatives. My grandfather, ninety years of age, has been taken in by many of these types of companies some of which are represented there. There was a request put in to Publishers Clearing House that he be taken off their mailings. His name was taken off but was then added, spelled incorrectly, changed from Chopp to Chapp, and the mailings kept coming. As my grandfather lives alone and has not moved I believe this is another problem which needs to be addressed.

We try very hard to take care of my grandfathers best interests as he cannot actually afford this but he lives alone and ten hours away and sometimes this type of thing can go unknown for several months. My father currently went to his house because my grandfather was hospitalized and was mortified that the house was full of sweeps offers again. Something has got to be done and although I am not normally into politics I was very impressed with your handling of the situation and hope that you can get this done. I have requested that my father bring back as many of the mailings as possible so I can go through them. I would like to send them to you so you can have a scope of just what my family is fighting. Please let me know if this would be helpful in any way as I am outraged that this could even continue to happen around the state and the country.

Thank you,
Susan Brabaw

Author: Bruce Pikka
Date: 3/10/99 11:53 AM
Normal
TO: senator at Levin-DC
Subject: Sweepstakes
----- Message Contents

Good Morning,

I have followed, as time has permitted, the committee hearings on misleading sweepstakes promotions. I strongly urge you to continue to push for more honesty and clarity in their promotions. My 85 year old (on the 19th) mother-in-law sincerely believes she is on a first name basis with the people at Publishers Clearinghouse. She will even address her return mail to "Dorothy". They continually encourage this with the letters which appear to be "just for her". She really doesn't understand the concept of computer generated letters having the appearance of being personal. She also "understands" that if you "really want to win" you must buy magazines. That's why she has ordered any number of publications including such titles as "Popular Mechanics" and "Field and Stream" which cover subjects she has absolutely no interest in.

In my work with senior citizens over the years I have seen many others with the same outlook. One gentleman I knew was getting multiple copies of several magazines plus several others each month. In his case, the money for those publications would have been better spent on food or hygiene products.

Please force these companies to be more up front with the public. Let's stop the exploitation of people, especially senior citizens. The odds of winning and a statement saying that purchasing will not increase your chance of winning must be very clearly and conspicuously printed on all promotions.

Keep up the good work!

Sincerely,

Bruce Pikka

Author: ?
Date: 3/21/99 9:42 AM
Normal
TO: senator at Levin-DC
Subject: Publishers Clearing House
----- Message Contents

Dear Senator Levin,

I am writing in light of your investigation into the fraudulent practices of Publishers Clearing House and other sweepstakes companies.

My name is John Chinn and I am a life-long resident of Michigan. I live in and am employed by the Public Schools as a full time teacher in Correctional Education (at the County Jail).

My father-in-law was divorced many years ago and went to live with his mother

in . She passed away 3 years ago at age 92 and since then he has been living alone in the house he inherited from her. He is in his mid-70's. My wife and her two brothers all live here in the metropolitan area, 200+ miles from . We were aware that he was 'playing the sweepstakes', however, only recently have we become aware of the depth of his involvement. This past Christmas, my wife and I, along with our two children, visited him. He showed us a room that was piled high with 'gifts' from the sweepstakes companies. None of the items, in my estimation, were of any value.

It appears he has spent all the money he inherited from his mother - approximately \$10,000 - on this scam and has not won a cent. His only source of income now is Social Security. In addition to his inheritance, it appears he both secured a loan and has sold most items of value in his home to obtain money to send to PCH and others. Currently he does not have cash available to pay his property taxes, and it appears he will have to sell his home and move into some kind of low income housing. We are in the process of identifying housing here in the area for him. Now, instead of looking forward to a comfortable life in his 'golden years', he has lost everything!

Senator, I urge you to do all you can to put a stop to these predators. I consider what they are doing to the elderly in this country a crime. Indeed, in my opinion, their crime exceeds those of many of my 'students' currently incarcerated in the County Jail.

If I can be of any help in your investigation, please contact me. My wife and

I would be happy to discuss this further with you or a member of your staff.
Keep up your outstanding work!

Very Truly Yours,

John Chinn

March 9, 1999

Carl Levin
U. S. Senator, Michigan
SR-459, Russell Senate Office Building
Washington, D.C. 20510

RE: *Sweepstake Fraud Against the Elderly*
H. R. 612

Dear Senator:

I understand the Senate is currently investigating sweepstake frauds against the elderly. Three years ago my (then 87 year old) father loss an excess of \$50,000 to these frauds even though he has been a successful business man with a Business degree from the University of Texas.

These grossly deceptive practices include coursing him to subscribe to magazines such as *Working Women* for an 87 year old widower.

One of the worst parts of this fraud is I had to take away his credit cards and checking account so he is relegated to have money like an irresponsible child.

I have contacted the United States Post Office, FBI and Attorney General's Office and have found no help whatsoever in prosecuting any of the perpetrators.

Please do everything possible to stop and punish the sweepstake frauds, including those run by celebrities such as Ed McMahan and Dick Clark. I urge your support for the reform.

Sincerely,

Joe M. Graham



Senate Permanent Subcommittee
on Investigations

EXHIBIT # 34

April 20, 1999

The Honorable Carl Levin
Ranking Member
Permanent Subcommittee
on Investigations
326 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Levin:

This letter is in response to your request to AARP's witness, Mrs. Virginia Tierney, during the Deceptive Mailings hearing of the Permanent Subcommittee on Investigations on March 8, 1999. During the discussion portion of the hearing, you asked Mrs. Tierney if AARP had met formally with representatives of the companies who produce misleading mailings. Mrs. Tierney offered that we would get back to you with a response.

While AARP has not met formally with representatives of the corporate entities that produce sweepstakes mailings, we have met on a number of occasions with trade association representatives who represent these companies. At each of these meetings, we articulated AARP's concerns regarding deceptive mailings and sought to reach consensus on some of them. We would certainly be prepared to meet with the relevant corporate representatives directly to discuss this issue, as you suggested.

We appreciate the opportunity to submit our response as part of the hearing record and we look forward to working with you and other Senators in a bipartisan fashion to enact deceptive mailing legislation in this Congress. If you have any further questions or concerns, please don't hesitate to call me or ask your staff to call Jeff Kramer of our Federal Affairs staff, at 202/434-3800.

Sincerely,

A handwritten signature in cursive script, appearing to read "Martin A. Corry".

Martin A. Corry
Director
Federal Affairs



MOTOR VEHICLE AWARDS

8508 Park Road • Suite 114 • Charlotte, NC 28210



Dear Allan Carter:

This letter shall serve as your official notification that this the 20th day of July you have been identified as an award recipient in a national sweepstakes. You Allan Carter are guaranteed to receive a brand new automobile or a cash award.

There is no mistake if you are the Allan Carter that currently resides at [redacted] Michigan your award is waiting to be claimed. Your award has been confirmed by our auditing department and is formally identified by the award registration number that has been preselected and assigned by Motor Vehicle Awards.

Legal title to the brand new Chevy Malibu (or cash award) will be executed and transferred to you Allan Carter pursuant to and in accordance with the Motor Vehicle Code of the State of Michigan and the regulations of this presentation as they appear on the reverse side of this document. No purchase is required.

Examine the attached Certificate of Motor Vehicle Awards carefully, this is how the title to your new Chevy Malibu will appear if you return the preassigned claim number belonging to the Chevy Malibu. Please confirm in writing that your name is spelled correctly and that [redacted] is where you would like your new vehicle delivered.

Your eligibility has been confirmed. However failure to respond will jeopardize your opportunity to own the new car or receive your cash award. Allan Carter, if you have the registration number that has been preassigned to the new Chevy Malibu and do not respond we will be legally obligated to transfer your new car to an alternate recipient.

In addition an Optional Commodities Package with a fully redeemable value of over \$2,500.00 is being held pending your submission of the standard acquisition fee.

Happy Motoring

Charles S. Cummins
Charles S. Cummins

IMPORTANT: Strict regulations mandate that you follow the claim procedures outlined below before you can take possession of your award.

Make check payable to: Motor Vehicle Awards 252312547664 MY15LA16

FAILURE TO REPLY WILL RESULT IN FORFEITURE OF YOUR AWARD	<	AWARD REGISTRATION FORM	>	252312547664
	<	Allan Carter	>	AWARD REGISTRATION NUMBER:
	<	[redacted]	>	PHONE NUMBER:
Is your name spelled correctly? YES <input type="checkbox"/> NO <input type="checkbox"/> Is the address above where you would like your award delivered? YES <input type="checkbox"/> NO <input type="checkbox"/> Do you have a VISA or MasterCard? YES <input type="checkbox"/> NO <input type="checkbox"/> I am enclosing the standard \$14.98 acquisition fee, for the Optional Commodities Package that I am entitled to receive. If not purchasing Optional Commodities Package follow directions on reverse.				
I hereby affirm that I am the Allan Carter of Troy, Michigan. I hereby affirm that I am over 18 years of age and will produce verification of my identity and age upon request.				

PRF#	N/A	M.V. AWARD REGISTRATION NUMBER	252312547664	YEAR	1999	MAKE	CHEVY	MODEL	MALIBU	BODY AND STYLE	2 DOOR SEDAN	
TYPE OF TITLE	STANDARD		COLOR	TO BE DETERMINED		AXLES	2	FUEL	GASOLINE		DOOR/MP/LENGTH/WT.	5

FOR:
Allan Carter
[REDACTED]

**MOTOR VEHICLE AWARD
REGISTRATION NUMBER:**
252312547664

#####

I, CHARLES S. CUMMINS, THE DIRECTOR OF MOTOR VEHICLE AWARDS, DO HEREBY CERTIFY THAT UPON PRESENTATION OF THE PRESELECTED WINNING MOTOR VEHICLE AWARD REGISTRATION NUMBER THE TITLE TO THE MOTOR VEHICLE ABOVE WILL BE TRANSFERRED PURSUANT TO THE RULES AND REGULATIONS OF THIS SWEEPSTAKES AND THE MOTOR VEHICLE CODE OF THE STATE OF MICHIGAN.

MOTOR VEHICLE WILL BE RELEASED UPON PRESENTATION AND VERIFICATION OF WINNING REGISTRATION NUMBER.	FIRST RELEASE	X <i>Charles S. Cummins</i> AUTHORIZED SIGNATURE
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CONSUMER DISCLOSURE: NO PURCHASE REQUIRED. OPEN TO ALL RESIDENTS OF UNITED STATES OF AMERICA AND CANADA, (EXCEPT QUEBEC), OVER 18 YEARS OF AGE EXCEPT EMPLOYEES OF THE SPONSOR, THEIR IMMEDIATE FAMILIES OR ANY OF ITS AGENTS. VOID WHERE PROHIBITED BY LAW. TAXES ARE THE SOLE RESPONSIBILITY OF THE WINNER. WINNING CLAIM NUMBER HAS BEEN PRESELECTED. PRIOR TO THE START OF THIS PROMOTION. SPONSOR HAS INDICATED THAT 3,000,000 COPIES OF THIS PROMOTION WOULD BE MAILED. AWARDS AND ODDS ARE: GRAND PRIZE (1) 1999 CHEVY MALIBU OR \$15,000.00 US FUNDS (1:3,000,000); \$0.50 US FUNDS (1:1). THIS SWEEPSTAKES IS TO PROMOTE OUR CASH SAVING COMMODITY PACKAGE VOUCHERS DESIGNED TO SAVE THE USER OVER \$2,500.00 (US DOLLAR VALUE OR CANADIAN DOLLAR VALUE AS APPROPRIATE) ON MERCHANDISE AND SERVICES WITH SOURCES SUCH AS NATIONAL RETAILERS, TRAVEL, MOVIES, JEWELRY, CRUISES, CAR RENTALS, GROCERY DISCOUNTS WHEN UTILIZED FULLY. VOUCHERS MAY VARY. SATISFACTION GUARANTEED OR ALL MONEYS INDIVIDUALLY EXPENDED WILL BE RETURNED. COUPON VOUCHERS MAY REQUIRE ADDITIONAL EXPENDITURES TO EFFECT SAVINGS INDICATED. TO ENTER WITHOUT PURCHASING OPTIONAL COMMODITIES PACKAGE RETURN THE COMPLETED FORM IN A NUMBER TEN ENVELOPE TO: IN THE USA: MVA CLAIM OFFICE, 8508 PARK ROAD, SUITE 114, CHARLOTTE, NC 28210. IN CANADA: MVA CLAIM OFFICE, 3539 ST. CHARLES BLVD., SUITE 613, KIRKLAND, QC H9H 5B9; CANADIAN ENTRIES MUST INCLUDE A CORRECTLY ANSWERED TIME LIMITED ARITHMETICAL SKILL QUESTION WHICH IS INCLUDED IN THIS PACKAGE. THE ARITHMETICAL SKILL QUESTION MUST BE ANSWERED WITHOUT ANY ASSISTANCE OF ANY KIND WITHIN A TWO MINUTE TIME FRAME. DO NOT USE THE ENVELOPE PROVIDED IF NOT PURCHASING COMMODITIES PACKAGE. YOUR ENTRY WILL BE DECLARED NULL AND VOID. ALL ENTRIES MUST BE RECEIVED BY AUGUST THIRTY-FIRST, NINETEEN HUNDRED NINETY-NINE. GRAND PRIZE WILL BE AWARDED ON OR ABOUT OCTOBER FIRST, NINETEEN HUNDRED NINETY-NINE. ALL DECISIONS ARE FINAL. PERSON HOLDING THE SELECTED NUMBER IS REQUIRED TO SIGN AND RETURN AFFIDAVIT OF ELIGIBILITY AND RELEASE OF LIABILITY WITHIN TEN DAYS OF NOTIFICATION DATE. ANY PRIZE OR PRIZE NOTIFICATION RETURNED AS UNDELIVERABLE MAY RESULT IN AWARDING OF THAT PRIZE TO AN ALTERNATE WINNER. A RANDOMLY SELECTED ALTERNATE WILL BE CHOSEN FROM AMONG ALL QUALIFIED RESPONDENTS. THIS PROCESS WILL CONTINUE UNTIL SUCH TIME AS THE GRAND PRIZE IS AWARDED. CANADIAN ENTRIES RECEIVED WITHOUT A CORRECTLY ANSWERED TIME LIMITED ARITHMETICAL SKILL QUESTION WILL BE CONSIDERED NULL AND VOID. ODDS ON RANDOM DRAWING ARE DEPENDENT UPON TOTAL NUMBER OF ELIGIBLE ENTRIES RECEIVED. WINNER AGREES TO ALLOW SPONSOR USE OF NAME AND/OR LIKENESS FOR PROMOTIONAL PURPOSES WITHOUT ADDITIONAL COMPENSATION. RESPONSES TO MARKETING QUESTIONS ARE VOLUNTARY AND DO NOT EFFECT PRIZE WINNER. ALLOW 4-8 WEEKS FOR DELIVERY ON ALL PURCHASES. IF YOU DO NOT WISH TO RECEIVE FURTHER PROMOTIONS FROM SPONSOR PLEASE NOTIFY US IN WRITING TO OUR AMERICAN AND CANADIAN ADDRESSES RESPECTIVELY. TO RECEIVE THE NAME OF THE GRAND PRIZE WINNER SEND A SELF-ADDRESSED STAMPED ENVELOPE TO: WINNERS LIST, 8508 PARK ROAD, SUITE 114, CHARLOTTE, NC 28210. AFTER SEPTEMBER FIFTEENTH, NINETEEN HUNDRED NINETY-NINE AND BEFORE OCTOBER THIRTIETH, NINETEEN HUNDRED NINETY-NINE. IN THE EVENT A PRIZE IS DISCONTINUED OR OTHERWISE UNAVAILABLE, A PRIZE OF EQUAL OR GREATER VALUE WILL BE SUBSTITUTED. ALL APPLICABLE LAWS AND REGULATIONS APPLY. NO RESPONSIBILITY IS ASSUMED FOR LATE, LOST, UNDELIVERABLE OR MISDIRECTED ENTRIES.

MV15DS2A



ROBERT A. BUTTERWORTH
Attorney General
State of Florida

OFFICE OF THE ATTORNEY GENERAL

DEPARTMENT OF LEGAL AFFAIRS
 THE CAPITOL
 TALLAHASSEE, FLORIDA 32399-1050

Please Reply to:

Economic Crimes Division
 2002 North Lois Avenue, Suite 520
 Tampa, Florida 33607
 (813) 871-7255
 FAX: (813) 871-7262

March 12, 1999

The Honorable Susan M. Collins
 United States Senate
 Russell Building, Room 172
 Washington, DC 20510

**Senate Permanent Subcommittee
 on Investigations**

EXHIBIT # 45

Dear Senator Collins:

Last year, the Office of the Florida Attorney General, Robert A. Butterworth, initiated an investigation into sweepstakes fraud and, in February 1998, the State of Florida filed suit against American Family Enterprises ("AFE"). In addition, for the past year, this office has been discussing with Publishers Clearing House ("PCH") possible ways to address and prevent excessive purchases by sweepstakes victims and possible changes to PCH solicitations. Many of the initiatives both AFE and PCH have proposed and changes they have made in their promotional materials are a direct result of our allegations and communications.

As a result of these investigations, we have thoroughly analyzed the mail solicitations of these companies and the various ruses and scams they use to deceive the American public. Ms. Victoria Butler, Assistant Attorney General, has compiled the attached issues for your consideration in drafting legislation to address and prevent deceptive sweepstakes practices. Most, if not all, of the issues identified in the attachment were developed as a direct result of conversations with victims and analyses of promotional materials and business practices of the major sweepstakes operators.

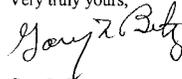
One deceptive practice of which you may not be aware involves the use of the qualifying language "if you have and return the winning number." It is highly possible, using their current operational procedures, that the winning number may not even be sent out by the sweepstakes operators. The "winning" number is commonly selected from a range of hundreds of millions of numbers, and the number selected may be outside the range of numbers actually mailed. In my opinion, the failure to reveal that the "winning" number may not even be among the numbers circulated is deceptive, making the qualifying language "if you have and return the winning number" a falsity in and of itself. The placement and sentence structure of this qualifying language is also confusing and misleading, and its purpose is to target the undereducated, poor, and elderly. The sweepstakes companies are intent on targeting these people, and will keep this confusing wording until the end because they profit magnificently from it.

Our investigation has also uncovered unscrupulous billing practices that further the victimization

of the elderly, poor, and undereducated. For example, prior to our lawsuit, AFE used an accelerated invoicing cycle which resulted in excessive overpayments by AFE customers. These overpayments were routinely retained by AFE and applied to magazine subscription extensions without disclosure to the consumer. In fact, all customer overpayments received, for whatever reason, were retained by AFE and applied to magazine subscription extensions.

Congress is doing outstanding work concerning an area that has impacted so many senior citizens and poor people. The Office of the Florida Attorney General, Robert A. Butterworth, will provide assistance to your office at any time.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Gary L. Betz".

Gary L. Betz
Special Counsel to
the Attorney General,
Robert A. Butterworth

**FLORIDA ATTORNEY GENERAL
SUGGESTED REQUIREMENTS FOR SWEEPSTAKES
SOLICITATION MATERIALS**

1. **Official Rules Type Face** -- The Official Rules appearing in all Solicitation Materials¹ containing sweepstakes entry materials will be printed in a type size no smaller than ten (10)-point type.
2. **Odds in Official Rules** -- The Official Rules appearing in all Solicitation Materials containing sweepstakes entry materials will include a statement of the estimated numerical odds of winning each prize offered in the sweepstakes.
3. **Official Rules Retention** -- The Official Rules appearing in all Solicitation Materials containing sweepstakes entry materials will be provided to consumers in such a manner that they may be retained by consumers after their entry in the sweepstakes.
4. **Deadlines for Return of Sweepstakes Entries** -- The entry deadline for the sweepstakes shall be clearly disclosed in the Solicitation Materials and clearly set forth in the official rules. The entry deadline shall not change during the sweepstakes, and no more than one deadline per prize may be established.
5. **Select or Limited Groups** -- Solicitation Materials containing sweepstakes entry materials will not describe the recipient of the mailing as a finalist or in a "final round," or in a similarly winnowed-down group.
6. **Winner Statement**--
 - A) Unless the recipient has in fact been selected to receive a prize,

¹ "Solicitation Materials" shall be defined as direct mail marketing materials which contain or refer to sweepstakes opportunities.

Solicitation Materials shall not state or imply, in any manner, that the recipient is presently a winner or will be a winner, and no qualifying or otherwise limiting language may be used in connection with a statement that a person is presently a winner.²

B) If the recipient has in fact been selected to receive a prize, the Solicitation Materials that state that a person is a winner will include an accurate description of the prize that the person has won or, if the prize is to be selected from a number of prizes, is likely to win, and a statement of when the prize is likely to be received.

C) Solicitation Materials shall not include words, phrases, or terms that suggest expressly or by implication that the recipient may win a prize³ unless the sentence or statement including these words clearly conveys that the recipient has not yet won a prize and discloses all material conditions to winning. All qualifying terms and disclosures shall appear in equal prominence to the “winner” words or statements, and qualifying words shall not be set apart from the “winner” words.⁴

D) Solicitation Materials shall not refer to the recipient’s returning the winning number or matching number or winning entry, or the like, unless the fact

²No statements that suggest that the recipient is a winner or will win shall stand alone or appear to stand alone in the solicitation materials. This prohibits the use of qualifying or conditional language that is set apart as a separate phrase or set apart in any other manner from statements that the recipient is a winner or will be a winner, including statements such as “If you have and return the winning number, we will announce that John Smith is the winner!”

³For example, these words include, but are not limited to, “congratulations,” “win,” “prize,” “winner,” “lucky,” “winning number,” “winning entry.”

⁴Equal prominence is defined as use of qualifying terms that are equal to the potential winner statement in font, size, color, and print style and appear within the same statement or message as the “winner” language.

that the winning number may not be among the numbers mailed out with any given solicitation is disclosed in equal prominence in the same statement.

7. **No Misleading Representations About Enhanced Chance of Winning** -- Solicitation Materials containing sweepstakes entry materials will not represent that a recipient has an enhanced chance of winning the sweepstakes. Sweepstakes Materials shall not state or imply that entrants who order or purchase magazines or products belong to a select group or enjoy any advantage in the sweepstakes over nonpurchasing entrants.
8. **Description of Entry Process** -- Solicitation Materials will provide a clear description of the sweepstakes entry process and no statement regarding the entry process will expressly or by implication contradict the Official Rules. The Official Rules shall set forth the amount, number, and total of prizes to be awarded. The Official Rules will clearly and plainly describe the winner selection process. If a return envelope is provided for sweepstakes entries with orders, then a self-addressed return envelope must be provided for non-order entrants.
9. **Preselected Numbers** -- In any sweepstakes promotions using a preselected winning number or any type of matching number device to determine the sweepstakes winner, the sweepstakes operator must ensure that the winning number(s) is mailed prior to the end of the sweepstakes promotion and must provide a mechanism to select a winner in the event that the winning number is not returned. Each solicitation that refers to preselected or matching winning numbers shall disclose in the text the fact that the winning number may not be among the numbers mailed out with the current solicitation.
10. **Simulated Documents** -- Solicitation Materials will not simulate government documents.

11. **“No Purchase Necessary” Message** -- Solicitation Materials containing sweepstakes entry materials will include a clear and conspicuous “no purchase necessary--purchases do not enhance your chances of winning” disclosure, which disclosure shall not be contradicted expressly or by implication in the Solicitation Materials.
12. **No Representations That Order History Enhances Chance of Winning--** Solicitation Materials shall not represent that a recipient’s chances of winning the sweepstakes are or have been enhanced by the recipient’s order history or refer in any manner to the recipient’s order history.
13. **Notification to Non-Orderers** -- Any notification to a consumer that he or she will or may be removed from the company’s mailing lists will not represent that the consumer’s failure to order a product will result in the loss or forfeiture of any preexisting sweepstakes entry. The text which includes such notification shall contain a statement informing consumers of the specific method by which they may request additional sweepstakes opportunities without ordering.
14. **Preexisting Entries** -- Solicitation Materials will not represent that a consumer’s failure to order or failure to respond to the solicitation will result in the loss or forfeiture of any preexisting sweepstakes entry.
15. **Forfeiture of Prize** -- Solicitation Materials shall not state expressly or by implication that the consumer will or may forfeit, surrender, lose, abandon, or words of similar import, any prize that has not yet been awarded.
16. **No Enhanced Chance of Winning by Ordering** -- Solicitation Materials will not state or imply that sweepstakes entries with orders, as opposed to entries without orders, will enhance the consumer’s chances of winning the sweepstakes.

17. **Removal from Mailing Lists** -- The Solicitation Materials shall disclose prominently the specific procedure by which a consumer's name may be removed from the company's mailing lists.
18. **Rental of Names of Entrants/Opt-Out** -- Sweepstakes operators shall disclose in all Solicitation Materials the likelihood that the names and addresses of sweepstakes entrants or customers or both may be disclosed to other marketers and shall disclose in the Solicitation Materials the procedure by which an entrant or customer may request that his/her name not be disclosed.
19. **Toll-Free Number** -- Sweepstakes operators shall maintain toll-free consumer assistance telephone lines. The toll-free number shall appear on Solicitation Materials and invoices.
20. **Invoicing of Orders Obtained by Use of Sweepstakes** -- No subsequent invoice shall be issued until the consumer has had a minimum of 28 days to receive the prior invoice and make payment. All payments received shall be credited by the company within 48 hours of receipt .
21. **Treatment of Duplicate Payments** -- If a duplicate payment on one invoice is received, the company shall promptly refund the duplicate payment or promptly inform the customer of the company's receipt of the overpayment. Notice to the customer of the overpayment shall provide the customer the opportunity to receive a refund or have the money applied to another purchase.
22. **Treatment of Duplicate Orders** -- Upon receipt of a duplicate magazine or product order, the company shall promptly notify the consumer of the duplicate order and give the consumer the option of canceling the order or receiving a refund if payment has already been made. If the notice contains an offer to

extend an existing magazine subscription, the notice must disclose the current expiration date of the existing subscription and the length of the subscription extension being offered. Magazine Sweepstakes Operators must also ensure that magazine publishers notify sweepstakes customers prior to the publisher extending an existing subscription and must be offer the sweepstakes customer a refund in lieu of extension.

23. **Use of Spokespersons or Product Endorsers** -- Solicitation Materials shall not include statements attributed expressly or by implication to spokespersons or endorsers unless the statements are true and not misleading and the Solicitation Materials are reviewed by and approved by the spokesperson or endorser.

24. **Use of "Personalized" Mailings** -- Any Solicitation Materials that address the recipient by name or include the recipient's name or other personal information (in any place other than the mailing address label) shall prominently disclose that the material is computer-generated and is being sent to approximately _____ (estimated number) consumers.

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