

AD HOC COALITION OF CONSUMER ADVOCATES AND OTHERS CONCERNED WITH
UNFAIR AND DECEPTIVE ACTS AND PRACTICES IN THE MULTI-LEVEL
MARKETING INDUSTRY

Amthrax

<http://amthrax.wordpress.com/>

My site delves into the other side of the proverbial multi-level marketing (MLM) plan, the one that MLMs and their proponents often shield from prospects. Originally, the blog was launched as a way for me to talk pseudonymously about my personal experience as a former Amway distributor. Over time, it has become a consumer advocacy website that investigates the history and current operations of particular MLM companies and leaders. My reporting -- along with reader stories and comments -- has shown that the rhetoric of these operators regarding their business opportunities often conflicts with the reality that -- among other items highlighted in this petition -- the majority of participants do not make any money in these ventures. The public has the right to know the full history, background, and current details regarding an MLM and its leadership before making any decision about joining. While I continue to post under my pseudonym Amthrax, MLMs and their agents have attempted to discover my identity, either through legal means or via false pretense. It is my belief that their ultimate goal is to silence and discredit individuals like myself who raise legitimate concerns and questions about their businesses.

Steve Barrett

<http://www.quackwatch.com/>

<http://www.mlmwatch.org/>

Stephen Barrett, M.D., a retired psychiatrist who resides near Chapel Hill, North Carolina, has achieved national renown as an author, editor, and consumer advocate. In addition to heading Quackwatch, he is vice-president of the [Institute for Science in Medicine](#) and a Fellow of the [Committee for Skeptical Inquiry](#). In 1984, he received an FDA Commissioner's Special Citation Award for Public Service in fighting nutrition quackery. In 1986, he was awarded honorary membership in the American Dietetic Association. From 1987 through 1989, he taught health education at The Pennsylvania State University. He is listed in Marquis *Who's Who in America* and received the 2001 Distinguished Service to Health Education Award from the American Association for Health Education.

Stacie Bosley

Hamline University, Assistant Professor of Economics
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As an economist who studies pyramid scheme activity, I endorse this petition and the actions it outlines to reduce investor and consumer harm in the U.S. and around the world. It is not enough to stop select firms, such as Fortune Hi-Tech Marketing and Zeek Rewards, after thousands or millions are recruited. As governments and consumer groups around the world struggle to deal with this growing threat, it is time for U.S. regulatory and legislative bodies to take the comprehensive steps set forth in this Petition.

Jonathan Brand

www.shaklee-pyramid-scam.com

www.mannatechscams.com

www.isherbalifeapyramid.com

www.isacnascam.com

After working for Dr. Jon M. Taylor and Robert Fitzpatrick, I arranged for the top pyramid scheme experts to meet via Google video conference. From 2012-2013, I researched specific tactics for online mlm deception. My work resulted in a detailed understanding of "hacker SEO" or tactics to misinform the public at a widespread level, online, as well as the Proprietary Density or PD metric for detection of pyramid scheme compensation plans. I am signing this petition to help ensure the most basic protection from fraud for American consumers.

David Brear

<http://mlmtheamericandreammadenightmare.blogspot.com/>

On his thought-provoking Blog, English author David Brear guides us to the dark heart of a modern-day, totalitarian labyrinth and shines a piercing light on its manipulative rulers and manipulated inhabitants. An important historical essay at <http://mlmtheamericandreammadenightmare.blogspot.fr/2013/09/denying-global-mlmprosperity-gospel.html> provides the basis for many other Blogs.

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I have been a practicing attorney for over thirty years, during which I have represented distributors and franchisees in cases across the country. I have represented distributors in class actions against MLM companies, including cases against Herbalife, Nu Skin, Omnitrition and Consumers Buyline. I was one of the attorneys for the class in Webster v. Omnitrition International, Inc., 79 F.3d 776 (9th Cir. 1996), which is the leading case on the standards for determining whether an MLM is operating as a pyramid scheme. I have represented or advised, on a pro bono basis, a number of consumer organizations devoted to educating consumers about deceptive MLM schemes. Since 1995 I have submitted a series of comments to the FTC in its rule-making proceedings concerning the Business Opportunity Rule and the MLM industry and have advocated for better disclosure and regulation of MLM business opportunities.

Complaint Centre Lyoness

European-based Researcher/Publisher

<http://cc-lyoness.blogspot.com>

MLM scamming is rapidly becoming an increasingly global phenomenon. In their search for new victims - which pyramid schemes need in order to persist - US based MLMs have entered Europe and Asia; increasingly, Asian and European scams (like Lyoness and its successor FlexKom) are gaining ground in the United States. The result is millions of victims, who collectively lose billions of dollars. This petition offers the US government a chance to correct

its mistakes and take this issue seriously - therewith saving millions of consumers worldwide from a whole lot of misery.

Bruce Craig

New York, NY

I retired from the Wisconsin Department of Justice in 1997, after having served as Assistant Attorney General and litigated consumer cases over a 30-year period. I currently volunteer with a New York public interest firm, New York Legal Assistance Group. When active, I prosecuted a number of pyramid cases in Wisconsin and witnessed firsthand the damage they do to those who had hoped to succeed as individual entrepreneurs only to fail after quitting jobs, using savings, and losing friends (whom they tried to recruit) and spouses. In one deceptive practices case, against Amway in 1983, we documented, from actual tax returns, that the average net income of the top tier 1% 'direct' distributors (of 20,000 Amway Wisconsin distributors) was minus \$900. I continue to have concern for the victims of these schemes that now number in the millions. I have on several occasions petitioned the Federal Trade Commission to become more active and responsive in this area, including a 2009 communication with the current Director of the FTC's Bureau of Consumer Protection and have filed formal comments in connection with its recently promulgated Business Opportunity Rule. The Commission ultimately exempted pyramid style offerings from coverage under this rule.

Sucheta Dalal

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Managing Editor, Moneylife Magazine

Trustee Moneylife Foundation (a not for profit organization, <http://foundation.moneylife.in>)

The proliferation of MLMs, ponzis and pyramids is the biggest scourge affecting India today.

They are powerful and can influence government to remain ineffective. Also, the biggest

Pyramids are seeking to take advantage of India's illiteracy operate across nations, hence a global coalition is imperative.

Lynndel R. Edgington

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My firm has been educating the public and assisting law enforcement agencies worldwide in the arena of investment cyber-crime for more than five years. The sheer number of illegal pyramid schemes posing as MLM has overwhelmed the FTC and other agencies worldwide and prevented them from taking action against them before they have caused financial ruin to so many. I see too many false income claims as well as deceptive advertising in the vast majority of MLM companies. There needs to be tighter control over the MLM industry and the regulations enforced to protect the public.

Phil Ellenbecker

Director: Dedicated Memorial Parents Group

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The Dedicated Memorial Parents Group is devoted to trying to stop fraud, false advertising, exploitation, human trafficking and crime in the door to door sales industry. The Dedicated Memorial Parents Group supports this coalition's efforts in exposing the fraud and sales deception 100%. It is the same exact type of fraud and deception that drives the greed.

Robert L. Fitzpatrick

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<http://www.pyramidschemealert.org>

<http://www.falseprofits.com/FP/Home.html>

Robert L. FitzPatrick is co-author of *False Profits*. He has served as expert witness/consultant in pyramid scheme cases for the US Dept. of Justice, Attorneys General in four states, and provided consulting/expert services in more than 20 court cases related to pyramid schemes. In 2001, FitzPatrick co-founded *Pyramid Scheme Alert* (<http://www.pyramidschemealert.org>), the first consumer education organization focused on pyramid schemes disguised as "business opportunities." His booklet, *Pyramid Nation*, was used by regulators in writing China's first anti-pyramid law. In 2005, he was invited to Colombo, Sri Lanka by the Sri Lankan Central Bank to address officials from that country as well as India and four other nations on the subject of combating pyramid schemes. His [False Profits Blog](#) examines the "Economics, Politics, Legalities, Ethics and Sociology of Pyramid Schemes." Before writing his book on pyramid schemes, Robert FitzPatrick organized and managed trade associations of independent distributors in three industries. He provided consulting in the field of distributor marketing and sales channel management. Corporate clients included Fujifilm, DuPont, Epson, and many others.

Rich Germain

MLM Information Blogger

Wisconsin

Most estimates show a 95% failure rate for those investing in MLM. Doing the math, if someone spent 10 years building a team of 40 individuals who earn an income from MLM, then that original person caused an average of about 8 people per week - for those ten years - to incur a financial loss. When you consider that each of those forty have created a similar track record of hurt, and then combine that with the thousands of people promoting MLM businesses, it's obvious that MLM is a dangerous pandemic that needs to be stopped.

Petteri Haipola

www.kolumbus.fi/petteri.haipola/verkostomarkkinointi/sisallys.htm

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An author of articles on MLM frauds and translator of many articles on MLM into Finnish.

Steve Hassan

Newton, Massachusetts

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Steven A. Hassan, M.Ed., LMHC, NCC has been involved in educating the public about mind control, controlling groups and destructive cults since 1976. He holds a Masters degree in counseling psychology from Cambridge College, is a Licensed Mental Health Counselor (LMHC) in the Commonwealth of Massachusetts, and a Nationally Certified Counselor (NCC). He has helped many victims of mind abuse due to the fraud and manipulation of MLM recruiters.

Gerald W. Hayden, Sr.

50 Evans Crossing

South Windsor, CT

I was one of the plaintiffs in Hayden v. Yager, et al, No. 3:97-cv-01509 (D.Conn.), a lawsuit against Amway and some of its high level distributors and related organizations, which was settled after the Court denied the defendants' motion for summary judgment. I am fully supportive of this Petition.

Allan Holender

British Columbia, Canada

I am a recovering MLM addict who was taken advantage of by seven different MLM organizations, all promising me huge dividends. I lost money, friends, and relatives and eventually had to file for bankruptcy. MLM's are the cocaine of business. You become dependent on them in your pursuit of "your" American Dream. They all claim to be different, but they are all the same. They make you dependent on them and tell you that you are a failure if you quit. People have lost their homes, marriages and their savings trying to make just one of them work. You might as well go to the casino to gamble your money away on the one chance to hit the jackpot. They prey on desperate people in desperate times, like now, and are the scourge of society. And when you quit they tell your downline to disown and avoid you, that you are toxic, and standing in the way of their success.

Hongchun Li

Consumer Activist, Blogger

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China

Lots of people are lost in MLM activities. The recruited are cheated while they are also trained to become skilled liars. It's time to ban MLM.

Joseph Isaacs

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As a retired entrepreneur who got screwed by the MLM called Fortune Hi-tech Marketing, I turned consumer advocate and whistle blower. My short experience with FHTM opened my eyes to how a pyramid scheme works and how both the state regulators as well as the feds do little to stop these criminal enterprises. After two years of complaining to state AG's the FTC finally stepped in and shut down FHTM - one of the most prolific scams operating in the USA, according to the Kentucky AG. This only happened as a result of my constant pursuit of a campaign for the truth to be told and after hundreds of thousands of victims lost close to \$500 Million dollars. MLM as a whole needs to be examined with a fine tooth comb and the FTC needs to stop relying on bogus and manipulative information from the DSA and the MLMs themselves. MLM is the most destructive form of business globally. I am proud to be affiliated with work of the consumer advocates responsible for filing this Petition with the Federal Trade Commission.

Scott Johnson

Johnson Enterprises

<http://stoptheamwaytoolscam.wordpress.com/>

I was an Amway IBO from January 1993 until I was terminated in September 2009, and have studied the Amway "tool scam" since early 2005. I lost well over \$100,000 and more importantly, a dozen years of my life chasing an illusion.

Jason Jones

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Jason is a former lawyer, and the author of The Salty Droid, a widely read consumer activism site. The Salty Droid bites back against the purveyors of an unchecked epidemic of online fraud. The story is depressing ... but the jokes are hilarious.

Kristine Lanning

Retired North Carolina Assistant Attorney General

Raleigh, North Carolina

I am fervently opposed to pyramid schemes, which are often disguised as legitimate multi-level marketing companies, when in fact they are scams knowingly designed to profit the founders. Most if not all founders of these schemes lie about the potential earnings to recruits, who often pay large sums of money to purchase merchandise and training, which will allegedly increase their earning potential. Few if any recruits earn money, while the vast majority if not all, lose money. As a former North Carolina Assistant Attorney General, I investigated and shut down numerous pyramid schemes either through settlements or litigation. Misrepresentations to potential participants were always essential elements of the scam. I whole-heartedly support the efforts to include all schemes touted as multi-level marketing companies in the recent FTC rule requiring disclosers to consumers.

Brian MacFarland

<http://www.LazyManAndMoney.com>

My website deals with many matters related to personal finance. When I wrote an article asking how an MLM company could stay in business charging \$45 for juice, I got thousands and thousands of comments from distributors and non-distributors. Analysis of this information is consistent with what is presented in this petition. My readers have asked me to evaluate other MLMs and I have found the same recurring problems with them - all of which are outlined in this petition.

Yuri V. Marchenko

Consumer Activist, Translator of MLM Exposés/Experience, Blogger
Chernigov, Ukraine

Michelle and Enrique Martinez

Albuquerque, New Mexico

We have been in seventeen various MLM companies and have never had success. The latest MLM "opportunity" cost us \$100,000. It has been financially and emotional devastating. We want the FTC to look at the unfair business structure of MLMS and STOP the false promises of "residual income" and "financial freedom." In this day and age of financial stress, it is HORRIBLE to play on peoples' weaknesses and desperations with such deceptions. It needs to STOP and go back to offering Americans a true American Dream not an American Nightmare.

D. Anthony Miles, Ph.D., MCP, RBA, CMA, MBC

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Dr. D. Anthony Miles is researcher and expert in the area of entrepreneurship, marketing, management, competitive intelligence and business forensics. He has conducted extensive research on MLM (aka "network marketing") as a business model. He has presented his research on MLM as a business model at conferences around the country, including at the 2012 Faculty Speaker Series at Texas A&M University-San Antonio; Topic: "Psst Let Me Tell You About a Great Business Opportunity: What You Need to Know About Multilevel Marketing (aka Network Marketing)," and at the 2007 Association for Small Business and Entrepreneurship (ASBE) in Austin, Texas; Topic: "Myth or Reality: Is Multi-Level Marketing Really Entrepreneurship?" He also discusses MLM on his weekly radio show, *Game On Business Talk*®. He has written about MLM in the book, *Risk Factors and Business Models: Understanding the Five Forces of Entrepreneurial Risk and the Causes of Business Failure*.

Susanna Perkins

Board of Directors, Pyramid Scheme Alert

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In addition to the losses and damage spelled out in the Petition, there's another form of loss resulting from long-term involvement in MLM. The "uplines" encourage the recruit to be reckless with his or her career. They inculcate an attitude and belief that the job is "only

temporary," and they encourage recruits to take positions that are below their skill levels and where they don't earn what they could. This makes them more malleable by the uplines. Once the recruits withdraw from the MLM and try to reestablish themselves in their careers, they find themselves paying a long-term price. Now they're on a trajectory where they will never achieve the professional levels and salaries they otherwise would have. It's similar to the issues many women face when they withdraw from the labor force to raise children. However, where a woman receives some understanding and sympathy, and her time away from work is acceptable, this MLM-related career absence or lower level employment status becomes a blot on the former recruit's resumé from which he or she is unlikely to ever recover.

Noel Ramos

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MLM and pyramid scams have become an epidemic. They operate in the grey areas of the law, and often engage in extremely deceptive and manipulative tactics to separate victims from their money. Many of those victims are already desperate – out of work, struggling to get by, and simply looking for employment. It's beyond reprehensible that these serial offenders target the most vulnerable members of our communities. On more than one occasion, I have had to deal with MLM schemers targeting the musicians I work with. These hard working artists are simply trying to follow their dreams, and make a living from their music. They cannot afford to be ripped off by crooked charlatans. Something has to be done to stem the tide of never-ending pyramid scams. These crooks know that little is being done to prosecute, and so they operate with impunity, engaging in scam after scam, often luring in the very same victims that they already stole from during their previous scams.

Dave Ritchie

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My anti-MLM activism began when I realized the extent of financial losses sustained by my domestic partner during her years of serial involvement in three MLM companies. Her compulsive assimilation into the industry's deceptive culture led to the destruction of our partnership, contributed to my personal bankruptcy, and indirectly resulted in additional tragic personal consequences for both of us. My current efforts are focused on developing strategic initiatives and public education programs in collaboration with other consumer advocates in this coalition.

Rick Ross

www.culteducation.com

In my experience MLMs use cult-like tactics of coercive persuasion to gain undue influence over participants. It is by this means that they often prey upon and exploit people. I have received complaints from spouses, families, former MLM participants and others concerned about the abuses within this industry for many years. My work has at times included interventions to get people out of MLMs, much like the deprogramming of cult victims. The Cult Education Institute includes information about MLMs within its online archives in an effort to educate the public about the potential danger posed by such schemes. In my opinion the MLM industry

represents a corrupt and corrosive influence within the United States and around the world.

Omri Shabat

Publisher/MLM Exposé

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Israel

Camille Stokoe

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I am a former distributor for the MLM Primerica, the successor to A.L. Williams & Associates. An investigation of the MLM industry and the implementation of regulations that are stronger and enforceable, is long overdue. It is absolutely and urgently necessary for the FTC to address the "elephant-in-the-room" -- the abusive and destructive nature of the MLM industry, as well as the misleading and deceptive practices of Product-based Pyramid Schemes that operate undetected within the MLM industry. Art Williams said it best: "I can sum this business up in three words: recruit, recruit, recruit!"

Shyam Sundar

Vijayawada, Andhra Pradesh, India

<http://corporatefraudswatch.blogspot.com>

I have been a journalist all through my life now I am an advocate also. I have been waging a battle against the multilevel marketing and money circulation schemes

Jon M. Taylor, MBA, Ph.D.

mlm-thetruth.com

After my MBA from Brigham Young University, I spent 20 years initiating over 40 home businesses, consulting, and analyzing the whole field of home business opportunities. As an adjunct instructor, I taught classes in entrepreneurship, business ethics, communications, and management at local universities. I also worked for a few years on the administrative staff at the University of Utah and BYU, evaluating the research of others. I tested the NuSkin program for a year, leading to my book "The Network Marketing Game" - on the ethics of MLM. I interviewed hundreds of tax accountants to see who was making money at MLMs (multi-level marketing programs). I have analyzed the compensation plans of 500 MLMs and received worldwide feedback from MLM participants for 20 years. I recently published a book summarizing my research in the book "The Case against Multi-level Marketing as an Unfair and Deceptive Practice," which can be downloaded from my web site.

Frank Thomas

Consumer advocate

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I have been tracking and exposing the MLM industry since 1975. Nothing has slowed them to date. How many more broken marriages, destroyed friendships and bankruptcies must we endure before this madness ends?

Henry A. Turner

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We have represented MLM Independent Distributors since the 1990's. Since 2006 we have litigated extensively with the Texas based MLM AmeriReach.com, LLC (a/k/a AmeriSciences), eventually putting it effectively out of business in Georgia. Georgia is one of few States that has statutory law specifically governing the conduct of MLM companies. Our experience has been that many (not all) MLM companies have Compensation Plans which contain indices of a Pyramid Scheme. Based upon this experience, we suggest it is time for the FTC to take the actions as set forth in this Petition.

UsanaWatchDog

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While I have never been a MLM associate, I have been approached and did my own research. I set up my blog to help others who are being asked to join USANA Health Sciences. My blog discusses many problems with USANA's MLM. I want the FTC to personally investigate USANA because the red flags are blatant and far more serious than the MLM company Fortune High Tech Marketing (FHTM) was. I also want the FTC to require full disclosure from MLM companies regarding the commissions paid out to each ranking of associate "world-wide" including those who are not yet ranked, as well as what percentage of their net revenues comes from the associates' required personal product purchases and of that what percentage was resold to retail customers outside the distributor hierarchy. In addition, they should disclose the number of new memberships, cancelled memberships, and dormant memberships, and the number of distributors within a five mile radius of the home address of a potential new distributor.

YPR Pariah

<http://yprpariah.wordpress.com/>

This blogger, who remains anonymous due to repeated threats of litigation, is a former "brand partner" of an MLM known as Vemma who attempts to shed light on some of Vemma's recruiting tactics so that people can be better prepared when they themselves are prospected, and reveals the mathematical facts behind Vemma's purported success rate and other deceptive statements by Vemma's promoters.