

Serious Problems with the FTC's Revised Business Opportunity Rule

A setback for consumers. The March announcement by the FTC that a revised Business Opportunity Rule would exempt MLM (multi-level marketing) programs is a tragic setback for consumers, a stark capitulation to the MLM industry lobbied by the DSA (Direct Selling Association), and a reversal of course by the FTC in carrying out its mission to protect consumers from unfair trade practices. Instead, officials have chosen to yield to political pressures and exempt the worst of all classes of fraudulent “business opportunities” from its proposed rule.

I do understand the realities of political influence – and why FTC officials would give deference to the powerful and well-financed MLM lobby (including former high level FTC officials) over a handful of us spokesmen for consumers, all of whom are donating our time to advocate for consumers. The foregoing also were able to appeal to literally millions of victims locked into pyramid and endless chain selling schemes for comments to defeat the original bill (getting over 17,000 to submit spoon-fed comments), while we have difficulty getting victims to submit comments, for reasons explained below.

Section 5 not much protection. Falling back on Section 5 of the FTC Act to deal with unfair and deceptive practices offers no assurance to consumer advocates that things will improve. Since the 1979 finding by an FTC judge that Amway was not a pyramid scheme - subject to “rules” to assure an emphasis on retail sales - thousands of MLMs have come and gone, and several hundred remain. *The “retail rules” have been blatantly disregarded, and tens of millions of MLM participants worldwide have been victimized, experiencing hundreds of billions of dollars in aggregate losses worldwide.* Let me explain how I came up with these numbers.

MLMs based on 30 typical misrepresentations. Typically, *MLM features recruitment of an endless chain of participants who are the primary (or only) customers. It is an infinitely expanding program in a finite population. As such, MLM is a business model that is inherently flawed uneconomic, and fraudulent – dependent on a complex web of deceptions.* From 14 years of research and consumer advocacy, *I have identified 30 typical misrepresentations used in MLM recruitment campaigns (see Appendix A). That means that virtually every recruit into an MLM program is a victim to the degree that he/she purchased products based on these deceptions. This is why a rule requiring meaningful disclosure is such a vital protection for consumers.*

Why the silence of MLM victims. The original Business Opportunity Rule proposal reported that in 2005, the FTC had received 17,858 complaints, placing it among the leading categories of complaints. Actually, this is a gross underestimate of the harm by MLM. These statistics fail to recognize that *victims of endless chain selling (a key feature of MLMs) programs almost never file complaints – less than one in 500 victims,* based on my research. Why? A major reason is that *in every endless chain, every major victim is a perpetrator* – recruiting to have any hope of recouping initial and ongoing costs. So we see fear of self-incrimination and fear of consequences from or to those in their upline or downline – those they recruited or who recruited them – often close friends and relatives. And many blame themselves for their losses, as they are taught that any failure is their fault for not “working the system.”

Another reason for the silence of victims is the inaction of law enforcement. Recruits are told that if the program was an illegal pyramid scheme, it would have been stopped long ago. But in law enforcement, the squeaky wheel gets the grease. *So no complaints – no action by law enforcement; conversely, no regulatory action – no complaints by victims. It's a vicious cycle.*

Amount of MLM damage underestimated. Multiply 17,858 complaints by 500 to get the minimum number of victims, and you get 8,929,000 victims worldwide – almost nine million who bought MLM products based on at least some of the typical misrepresentations. Almost nine million! I believe this is not an exaggeration, since the DSA reported 15.2 million persons engaged in “direct sales” in 2006, most of them doing MLM and nearly all exposed to similar deceptions when recruited.

Multiply \$46 million dollars in damages reported by the FTC in 2005 by a factor of at least 500, and you get \$23 billion in participant losses per year, which I feel is a realistic minimum since the DSA reported \$32 billion in “direct sales” in 2006 (mostly from MLM). Multiply a more conservative average of \$10 billion by 20 years, and you have a minimum of over \$200 billion in MLM participant losses worldwide in the last 20 years – “world wide” because these chains quickly spread from state to state and from country to country as market (not total) saturation sets in. *These estimates (or even a tenth of them) would easily place MLM fraud far above all other classes of business opportunity fraud combined.*

History of FTC use of Section 5. As to the assurance that FTC officials can use Section 5 to deal with unfair and deceptive practices, let’s look at the history. Those of us who have studied MLMs for many years know that the number of MLMs that have come and gone since the 1979 Amway decision number in the thousands. Considering the few actions taken against MLMs, less than 1% of product-based pyramid schemes have been investigated by the FTC. Does the FTC have the resources to investigate thousands of fraudulent MLMs? Even the several hundred that have managed to survive? Not likely.

A proven model for differentiating legitimate direct selling from fraudulent recruiting MLMs. After years of research, including consultation with the top experts in the field (not financed by the MLM industry), I developed a model for differentiating legitimate direct selling programs from exploitive “recruiting MLMs” (that reward recruitment over retail sales), or “product-based pyramid schemes.” A summary version of the report – *“FIVE RED FLAGS: five causative and defining characteristics of recruiting MLMs, or product-based pyramid schemes”* – was presented to the Economic Crime Summit Conferences in 2002 and 2004. *These factors are causative in that, taken together, they cause the harm; and they are defining because they clearly differentiate between legitimate businesses and exploitive pyramid schemes.* (see Appendix B.)

This model has been tested by applying it to all the MLMs for which data on average income of participants was available. *In every case, when all five red flags were found in an MLM compensation plan (as is found in nearly all MLMs), the percentage of participants losing money was approximately 99%. When ALL participants were counted (including dropouts) and costs of required purchases (to qualify for commissions and advancement up the pay levels) and minimal operating expenses were subtracted, the loss rate is closer to 99.9%. The odds are far better in Las Vegas. This kind of information should be disclosed. If a disclosure rule were needed for any class of business, MLM is it.*

Can Section 5 be used for hundreds of MLMs? I have analyzed the compensation plans of over 250 MLMs (see Appendix C) and find these five factors in all of them. An FTC rule is needed to require MLMs to reveal average income data and attrition rates, or they should all be investigated by the FTC, based on these extraordinary loss rates – which are based on their own reports. Officials should not wait for a large number of complaints to come in, as by that time enormous damage will continue to be suffered by participants/victims, who as explained above, almost never file complaints.

Does the FTC have the resources to investigate 250 MLM programs, for which there is good evidence that they are illegal pyramid schemes? Not if FTC enforcement history is any indication. A Business Opportunity Rule that requires meaningful disclosure would be far more manageable.

The revised Rule is meaningless. So to what types of “opportunities” does the revised Business Opportunity Rule apply, if MLM is exempt? Vending machines? Work from home envelope stuffing? Car wash packages? These kinds of opportunities may have been a problem decades ago, but as one who has followed the business opportunity field for 35 years, I can tell you that these “business opportunity” packages are trivial compared to fraudulent MLM schemes today. The current scam of choice for con artists is MLM.

Scrap the Rule altogether. *Based on the foregoing, my strong recommendation would be that if MLM is exempt from the Rule it would be best to scrap the proposed Business Opportunity Rule altogether. A bad rule, or a rule exempting its most important application, is worse than no rule at all.* Here’s why:

Based on observing their prior behavior, MLM promoters, including DSA spokesmen, will find ways to turn this revised Rule to their advantage. They will likely say that MLM was not included in the Business Opportunity Rule because MLM is a legitimate business model (an ill-informed assumption) and that their programs are not pyramid schemes, but legitimate “direct selling” opportunities. And they will continue to defraud a revolving door of millions of recruits, who become MLM victims.

Conclusion. *The Revised Business Opportunity Rule is changed in ways that defeat the whole purpose of the Rule. The companies that most need to disclose information (MLMs) are excluded, and those with far less need for disclosure or regulation are included. Section C is an inefficient tool for regulating hundreds of rapidly spreading programs that feature an endless chain of participants as primary customers (victims). Having capitulated to the politically powerful DSA/MLM lobby, which serves its members to the detriment of consumers, I strongly believe **the FTC should scrap the proposed rule altogether. Later, in a more consumer-friendly political environment, an MLM-specific rule can be introduced.***

*Also, turnabout is fair play. The DSA got the original comment period extended to contact massive pyramids of participants to submit objections to the rule. Please do the same for those advocating for consumers. **Extend the comment period on the revised rule for 30 days. We are financing our pro-consumer efforts out of our own pockets, so it takes time away from other things for us to appeal to others to comment.***

Sincerely,

Jon M. Taylor, Ph.D., President, Consumer Awareness Institute
and Advisor, Pyramid Scheme Alert

For more information backing up these claims, I would refer the reader both to the law enforcement and research pages of my web site (www.mlm-thetruth.com), that summarizes thousands of pages of research and feedback from all over the world, or to my [rebuttal comments](#) from the original Rule on the FTC web site.

Appendix A: 30 Typical MLM Misrepresentations

By Jon M. Taylor, MBA, Ph.D.

Law-enforcement agencies do not require honest disclosure of essential information to MLM prospects. I have examined the compensation plans of more than 250 leading MLMs and found that virtually all hide the near-zero odds of making a profit, and in fact almost certain loss. Here are the typical ways they exaggerate to new recruits.

Misrepresentations	The naked truth
Presented as a great “income opportunity,” with huge incomes reported for many.	Recruiting MLM’s nearly always lead to certain loss for new recruits. A few are at the top of a pyramid of participants are enriched at the expense of a multitude of downline participants, about 99% of whom lose money.
“Everyone can do this” – and earn a good income.	Holding up top earners as examples of what others can do is deceptive. It is unfair to sell tickets when – for nearly everyone – the ship has left the port.
Average earnings statements on official reports make MLM’s appear highly profitable.	Reports of average incomes are full of deceptions – (Example - 20 on one page for Nu Skin’s report of “Actual Average Incomes.” See “Report of Violations” of the FTC Order for Nu Skin to cease misrepresenting earnings of distributors.)
Products can be resold at retail prices for a handsome profit	Products are high priced and sold primarily to recruits to “do the business,” rather than to persons outside the network of participants.
Presented as a legitimate business – “not a pyramid scheme”	Product-based pyramid schemes have been found to be the most extreme of all the types of pyramid schemes, with the highest loss rates (approximately 99 %) – far worse than for no-product schemes, or even than most games of chance in casinos.
Work for only an hour or two a day, and build up a “residual income” that will allow you the “time freedom” to quit your job and spend more time with your family or do whatever you want.	To profit at a recruiting MLM, one must work long hours and be willing to continue to recruit to replace dropouts. One must also be willing to deceive large numbers of recruits into believing it is a legitimate income opportunity. Recruits are only fattening their upline’s commissions. And is there anything immoral about hard work for honest rewards?
“The job market is not secure.” The stock market is even shakier. MLM offers a much more secure and permanent (residual) income.”	MLM is far more risky than either the stock market or the job market. It even makes gambling look like a safe investment by comparison. Residual income for almost all MLM recruits is a myth.
Standard jobs are not rewarded fairly. In MLM, you can set your own standard for earnings.	Fair? Most MLM compensation plans are weighted heavily towards those who got in early or scrambled to get to the top of a pyramid of participants.
“If not legal, the program would have been shut down long ago.” MLM’s have survived legal challenges. The fact that they are still around tells you they are legitimate.	Consumer protection officials are reactive, not proactive. Since victims rarely file complaints, law enforcement seldom acts against even the worst schemes. Victims don’t complain because they blame themselves, and they fear self-incrimination or consequences from or to their upline or downline.
If you fail at this program, it is because you failed to properly “work the system.”	The system itself is inherently flawed – an endless chain recruitment of participants as primary customers. The vast majority will always lose money.
“In any business, one must invest time and money to be successful.” (Committed MLM participants may continue investing thousands, and even tens of thousands of dollars, over many years before running out of money or giving up.)	The more one invests in time, money and effort, the more he/she loses – unless willing to deceive enough people to rise to the top of a pyramid of victims. In legitimate companies, sales persons are not expected to stock up on inventory or subscribe to monthly purchases. But in recruiting MLM’s, incentivized purchases (required to participate in commissions and/or advancement) are often merely disguised or laundered investments in a pyramid scheme.
An MLM company report of “actual income” of distributors may boast that “.16% of active distributors have achieved the level of ____ (the top income level)” etc. This is made to appear to be respectable odds of success. (See the book “How to Lie with Statistics”)	When statistics are presented without deception, the “opportunity” is not so attractive. The “.16%” is 0.16% – or odds of 0.0016, and ALL who signed up should be factored in. But MLMs eliminate dropouts in their statistics – a huge deception. With less than 10% remaining after five years, the number should be reduced by 90%. This leaves odds of 0.00016 of reaching the top level where the money is made. This looks far worse than “.16%”
MLM is the “wave of the future.” In fact, “Our MLM is experiencing phenomenal world-wide growth,” etc. “So get in on the ground floor of this great growth opportunity.”	MLM’s have been saying this for twenty years, but MLM still accounts for less than ½ of 1% of consumer purchases – in spite of the fact that the number of MLM companies has numbered in the thousands. MLM’s come and go, as do new recruits, 99% of whom drop out. Long-term MLM growth is a myth.
Saturation never happens. Turnover, as in any business, is a reality that assures an ample supply of available prospects. (NOTE: The issue is not TOTAL saturation as MLM apologists suggest, but MARKET saturation. In a town of 10,000 people, the notion of 10,000 distributors to serve them is absurd.)	With few real customers, MLM products are sold by recruiting a revolving door of new “distributors” who buy products to “do the business.” And since people perceive the opportunity as dwindling with each new “distributor,” market saturation requires promoters to recruit elsewhere. So MLM’s quickly evolve into Ponzi schemes, requiring the opening of new markets and/or new product divisions to repay earlier investors, as has happened with Amway (now Quixtar) and Nu Skin (which became IDN, then Big Planet and Pharmanex). It’s not turnover, but continuous churning of new recruits to replace dropouts.

Generic Misrepresentations Engaged in by Recruiting MLM's, continued

The demand for these MLM products are growing at a rapid rate. "They literally sell themselves."	The sale of products is distributor-driven, not market driven. Most products are sold to new participants to get in on this "ground floor opportunity."
"It takes time to build any business." "This is not a get-rich-quick scheme, but a 'get-rich-slow' program." "Don't expect instant success," etc.	MLM promoters sell recruits on their programs as a business, but defend it to authorities as a "direct selling" opportunity. However, In legitimate direct sales programs, sales persons earn commissions right away and don't have to wait months or years for commissions to exceed expenses.
Take advantage of "momentum" and "windows of opportunity."	Again, this kind of appeal has been used for twenty years. In any endless chain scheme, the momentum cannot continue indefinitely, leaving those who come in later in a loss position, which is approximately 99% of recruits.
In this new (MLM) program, you can be the master of your destiny.	You will be a slave to the phone, to meeting the qualifications for commissions and bonuses, and to continual pressure to recruit new participants to replace dropouts. You are also caught in a money trap of hyper-consumption.
Unlike franchises, business startups, or sales of existing businesses, you can start an MLM business with very little capital.	MLM's typically bleed new recruits of their funds by inducing them to buy products on a subscription basis, to pay for ongoing training, and otherwise draining them of their resources until they run out of money or give up.
Fear of loss (of potential income by not recruiting aggressively) is a great motivator.	If MLM participants understood what is happening to them, they would fear accumulating further losses by continuing to invest in the MLM.
You will belong to a great support team. In MLM, you have a whole network of people willing to help you succeed and be your friends.	Some MLM's operate like a cult with an "us vs. them" mentality. Watch how quickly the team ostracizes you when you quit or discover contrary information about the legitimacy of the program.
You will be offering people you care about the very best products available for promoting their health and well being.	No matter how high the quality of the products, investment in products for which you do not have orders in hand becomes a cleverly disguised means of laundering investments in a product-based pyramid scheme.
Our products are unique and consumable – perfect for repeat business.	MLM products are typically "potions and lotions." The secret formulas are a cover for the fact that they are priced too high to compete in standard markets.
Products are less expensive through MLM because you cut out the middleman.	MLM creates thousands of middlemen, with few real customers outside a bloated network of "distributors" ("agents," "consultants," "demonstrators," etc.) And typically, they are very expensive; i.e., not competitively priced.
Build your business by duplication. Buy five of these "business in a box" packages now, sell them to five people, and ask each to do the same, etc. Be a "product of the products" by signing up for monthly shipment of these items. Soon you will be reaping huge commission checks.	This is how recruiting MLM's earn fortunes for their top recruiters. Commissions from initial and ongoing purchases by new "distributors" (in hopes of profiting) is the life blood of their business. The promised rewards never come, except to those who recruit their way to the top of a pyramid of participants. Take away inducements for participant purchases, and these companies would fall like a house of cards.
Our "tools for success" are unbeatable. Sign up for our seminars and conferences, and buy our books and tapes to assure your success in this business.	In at least one major MLM, the "tools business" is a pyramid within a pyramid. Hardly anyone makes money selling products, so a lucrative source of income for those at the top is the sale of "success tools" to supposedly assure the success of their downline – who are in fact only further victimized when they buy these motivational items.
MLM is like insurance, investing, inventing, acting, and writing in that hard work at the outset yields residual income for the rest of your life. This is done by "leveraging" the efforts of your downline. So you can retire early, travel, etc.	MLM is more like gambling than legitimate residual income. It appeals to the "something for nothing" mentality. MLM addiction has been observed in some "true believers." The large residual incomes reported are more the result of time of entry and willingness to deceive prospective recruits than of payoff for hard work. To succeed in MLM, one must leverage one's deceptive recruiting through others who can be persuaded to do the same..
Some very reputable people are involved in MLM.	This credibility argument is used with many scams. Notables can be bought.
Some MLM companies invest in very worthy (and visible) causes.	The mafia supported local charities. And because a bank robber donates some of his take to charity, does that excuse the robbery?
You will be helping your friends and family by recruiting them into your downline.	For potential personal gain, you are exploiting those you care about the most. In other words you are squandering your social capital.

IMPORTANT NOTE: Again, after studying the compensation plans of over 250 leading MLMs, I have to conclude that the multi-level marketing model is inherently flawed. Virtually all MLMs are dependent on deceptive recruitment of an endless chain of participants as primary (or only) customers. While many or most participants are not deliberately deceiving recruits, they are unwittingly drawn into the complex web of deceptions listed above - since to tell the truth would lead to failure in their recruiting efforts.

CONCLUSION: The appeal in MLM promotions and the typical MLM reports of earnings of participants are dependent on a host of misrepresentations and deceptive sales practices. To be successful in MLM, one must not only work hard, but one must also –

(1) Be deceived

(2) Maintain a high level of self-deception

(3) Go about deceiving others

(4) Maintain denial of the harm done to those recruited into the chain or pyramid of participants.

The degree of deception (and even total amounts in aggregate damages) exceeds the deceptions reported in the Enron stock scandal (with similar findings in the financial reports of WorldCom and Global Crossing). However, in the case of MLM, participants engage in self-deception as much as in any deliberate misrepresentations. In short, the typical MLM is a lie and engages in massive theft by deception.

For more information on MLM deceptions, legality, research, and consumer guides, go to – www.mlm-thetruth.com

Appendix B:

The 5 Red Flags

for Identifying Exploitive Product-based Pyramid Schemes, or Recruiting MLM's*

By Dr. Jon M. Taylor, President, Consumer Awareness Institute and Director, Pyramid Scheme Alert

“Recruiting MLM's”** require extensive recruiting before realizing actual profits. Retailing is not significant. Recruiting MLM's typically display five features:

1. Recruiting of participants is unlimited in an endless chain of empowered and motivated recruiters recruiting recruiters, without regard to (de facto) market saturation.

Ask: *Is unlimited recruiting allowed, and are those who are recruited empowered and spurred on by incentives (such as overrides from downline purchases, advancement, etc.) to recruit additional participating recruiters, who are likewise empowered and motivated to recruit still more participating recruiters, etc. – so that the effect is an endless chain of recruiters recruiting recruiters?* This leads to a perception that a given market is saturated (“de facto saturation”), and the program must move on to another location or introduce new products or divisions to continue. The opportunity for each new person to make money becomes less and less as this endless chain or pyramid of participants continues to expand.

2. Advancement in a hierarchy of multiple levels of participants is achieved by recruitment, rather than by appointment.

Ask: *Does a participating “distributor” advance his/her position (and potential income) in a hierarchy of multiple levels of participants by recruiting other participants under him/her, who in turn advance by recruiting participants under them, etc.?* If so, the result is self-appointment through recruitment to ascending payout levels in the distributor hierarchy. If the only way a person can profit significantly in the scheme is through recruiting to advance to higher payout levels (or to buy another's downline), this strongly suggests a pyramid scheme.

3. “Pay to play” requirements are satisfied by ongoing “incentivized purchases*”, with participants the primary customers.**

Ask: *Are new participants (“distributors”) encouraged to make significant purchases when recruited? That is, are they encouraged to make sizable investments in “incentivized purchases***” in order to take advantage of the “business opportunity,” and later to continue qualifying for advancement in – or overrides from – the MLM company?* Watch out for minimum quantity purchases of products or services over time – where you must “pay to play” the game – to qualify for commissions or advancement. **Be wary when you are asked to sign up for continuing product purchases on auto-ship through an automatic bank draft**, rather than making occasional purchases as needed. Such “pay to play” or “incentivized” purchase requirements may be disguised investments in a product-based pyramid scheme, or a clever system of

laundering pyramid investments in the form of product purchases. Few make sufficient commissions to cover the cost of these expenses.

4. The company pays commissions and/or bonuses to five or more levels of participants.

Ask: *Does the company pay commissions and bonuses to participants (“distributors”) in a hierarchy of more levels than are functionally justified; i.e., more than five levels?* Even in major corporations, the entire marketplace can be covered in four levels of sales management – branch, district, regional, and national (or company-wide) sales managers. Paying commissions and bonuses on five or more levels in an MLM program primarily enriches those at the top at the expense of those at the bottom. You would be wise to avoid any program that pays commissions or overrides on more than five levels. Breakaway compensation systems are particularly exploitive, as payments are on a hierarchy of “breakaway” organizations of whole groups of participants, not just individuals – creating an extraordinarily high loss rate, except for those at the top of a “mega-pyramid of pyramids.”

5. Company payout per sale for the person actually selling the product is less than the total of all upline participants, creating inadequate incentive to retail and excessive incentive to recruit – and an extreme concentration of income at the top.

Ask: *Would a participant purchasing products “for resale” receive about the same total payout (in commissions, bonuses, etc.) from the MLM company as participants several levels above who had nothing to do with the sale?* If so, the company's payments to the person retailing the product would be pitifully small, while those at the top in his upline can compound the small commission per sale by the sales of hundreds or even thousands of downline distributors. This is great for that upline person, but lousy for those attempting retail sales. **Avoid any MLM company that pays less than half of all distribution payout to the person actually selling products to customers outside the network of participants.**

You should not accept income projections of retail sales at full retail prices, especially for products that are overpriced and not competitive in the marketplace. Also be wary when an MLM promoter asks you to choose between two options or “tracks” – one for those who want to “retail” the products and another track for those who are serious about “building the business.” If the incentives are heavily weighted towards recruiting, this is a moot question.

While no one of these red flags by itself constitutes an exploitive pyramid scheme, taken together they create enormous leverage, enriching those at the top of the pyramid at the expense of a huge downline of unwitting victims of the scheme. Where valid data has become available, recent research has demonstrated that **when all five of these red flags are found in an MLM, the percentage of participants who lose money is approximately 99.9% – far worse than the 87.5–93.3% loss rate for classic, no-product pyramid schemes and for many games of chance in Las Vegas.**

SUMMARY:

A “recruiting MLM” is a multi-level (or network) marketing system that depends upon recruitment of new participants, to replace a continuously collapsing base of new recruits in a pyramid of recruits – who do most of the buying. *So MLM constitutes an endless chain scheme of marketing by recruitment of participants as primary customers. As a program featuring infinite expansion in finite marketplaces, MLM is inherently flawed, uneconomic, and fraudulent – dependent on a complex maze of deceptions to survive and grow.*

A recruiting MLM, then, is a pseudo-business with no significant customer base and is dependent on a large network of participants, approximately 99% of whom lose money from investing in products and services (including training and promotional materials) offered by the sponsoring MLM company and its leaders.

The extremely high loss rate and aggregate losses make recruiting MLM’s, or product-based pyramid schemes, the worst of all types of pyramid schemes.

Thus, recruiting MLM’s are flawed systems that promise ongoing residual income, but deliver very little except financial loss at the least, and loss of treasured relationships and values of honesty and integrity at the worst. They maintain themselves by continuous recruitment of new recruits, as investing participants give up or run out of funds and leave the system, seldom understanding what happened to them – even blaming themselves for their “failure.”

Victims of MLM abuse also fear consequences from or to their upline or downline for reporting MLM abuse, since those who recruited them or whom they recruited may be a close friend or relative. And they fear self-recrimination, since every major victim was also an unwitting perpetrator of MLM fraud in recruiting others into an endless chain-selling scheme rife with misrepresentations. For these reasons, it is extremely rare for victims to file complaints with authorities. And since in law enforcement the squeaky wheel gets the grease, officials rarely takes action.

Typically, for a person to “succeed” (profit) in MLM, one must not only work hard, but also –

- Be deceived
- Maintain a high level of self-deception
- Aggressively recruit and deceive others
- Be in denial about the harm done to those he/she recruits into his/her downline.

Some would label this “theft by deception,” except that few of those doing the deceiving are aware that they are deceiving and defrauding those they are recruiting. They may even put on a display of being “successful,” by buying expensive cars and homes and inviting others to be like them.

* a.k.a. multi-level marketing, network marketing, consumer direct marketing, etc.

** Recruiting MLM’s can be distinguished from retail MLM’s, in which the company pays at least 51% of its commissions to those on the front line for retailing products. In a “retail MLM,” there is no necessity to recruit a large downline in order to profit.

*** “Incentivized purchases” are purchases of goods and services from the MLM company that are tied to qualification to participate in commissions or to advance through ascending levels in the hierarchy of participants. If they constitute a required cost of participating in the “business opportunity,” then whether they are used, sold, given away, or stored is irrelevant – they should be considered a cost of doing business.

For a more complete report and for research, consumer guides, and MLM statistics, go to the web site – www.mlm-thetruth.com

You will also find on my home page a link to other recommended web sites.

Appendix C:

**MLM COMPENSATION PLANS EVALUATED BY JON TAYLOR
As of April 26, 2008**

1Cellnet	Bookwise Books	Gano Excel
4Life Int'l	Brain Garden	Gemcap
5Linx	Burn Lounge	GDI - Global Domain International
A. L. Williams	Cell Tech	Global Equity Marketing and Global Equity Lending (World Leadership Group)
ACAi Plus	Cell Wireless	Global Health Trax
Achievers Unlimited	Champion Communications	Global Resorts Network
ACN	Citizenre	Global Travel Trends (PRT Travel)
Adcalls	Cognigen	GoHFT
[<i>Advantage Conferences – For info., read “Millionaire Mindsetters” (Houston Press)</i>]	Conklin	Gold Mine International
Advantage Neutraceuticals	Creative Memories	Golden Neo-life Diamite
Advocare	Cyberwize	GoldQuest
Agel	DCHL - Digital Crown Holdings Ltd.	Goldshield Elite
AIM	DSX	Good Life International
All-star Entrepreneur	Dynasty of Diamonds	Goyin
Amazon Herb	E. Excel	Herbalife
Ambit Energy	Earth Essence	Heritage Health Products
American Longevity	Easy Daily Cash (2-up)	Heritage Makers
Ameriplan USA	Ebiz.com	Hsin Ten Enterprise USA
Amerisciences	Emerald Passport (Profit Masters)	Ignite/Stream of Energy
AMS	Empire Dreams	Immunotec
Amsoil	Empower Net	Inner Light
Amway/Quixtar [See also – Recommended Links]	Eniva Gold Marketing	Integris Global
American Petroleum Promotions (APP)	Enliven	Interior Design Nutritionals (Nu Skin)
Amigo Health	EnvisionCC	International Galleries, Inc. (IGI)
Annasa	Epic Network	Jewelry by Park Lane
Apeus	Escape International	Isagenix
Arbonne	Essante	ITV Ventures
Ascend Technologies	Essentially Yours	Kaire
At Home America	Evolution International	Kanosis
Avalla– distributes Nutrimetrics [<i>Avon has become marginal. See recent feedback. See also - Avon Ladies' claims against Avon Metro. News-Enterprise]</i>]	Excel Telecommunications	Karemore
BeautiControl Cosmetics	eXfuse	Ky-Ani Sun
Bel' Air	Extreme Research	Leaving Prints
Better Universe	EZ Wealth by Design	Legacy for Life
Beyond Freedom Seminars	First Financial Security	Lexus
bHIPGlobal	First Fitness International	Liberty League International (LLI)
Big Planet (Nu Skin)	Fuel Freedom International	Life Force
Biometrics	FFSI	Life Plus
Bioperformance	For You	LifeWave
BioPro	Forever Green	Life without Debt
Bodywise	Forever Int'l	Lightyear Alliance
	Forever Living	The Limu Company
	Formor Int'l	Livinity
	Forte Builder (New Vision)	Longevity Network
	Fortune Hi-tech Marketing	Mannatech
	Free Life International	Market America
	Freedom Rocks	
	Fruda Vida International	
	Fun Unlimited	

[Mary Kay Cosmetics has become marginal . See www.pinktruth.com]
Matol Botanical
Max GXL
Maxxis 2000
Melaleuca
ML International
Monarch Health Sciences
Morinda (Tahitian Noni Int'l)
Multi-pure
My4 Life
My7Diamonds
National Lending Corp.
Native American Nutritionals
Natural Air Products
Nature's Sunshine
NeuroGenesis
Neways
New Quest International
New Vision USA
Nexx
Nikken
Noevir
Nouveau Cosmeceuticals
Nouveau Riche University (2-up)
NSA (Juice Plus)
NuLegacy Rx card
NuMed
Nu Skin/Pharmanex/Big Planet
[See [Nu Skins Naughty Numbers.](#)]
Nutronix
Nuvante
Ohana Health
Omegetrends
Omnitrition
OnPoint Direct
Oxyfresh
Passport LLC
Petromagic
Pharmanex (Nu Skin)
PhotoMax (Nu Skin)
Plexus Pink
PM International AG
Power2Marketing (P2M)
Prepaid Legal – *[Do [Google](#) search for problems with advance commissions and low retention].*
Primerica Financial Services
Prixdale Ventures
The Profit Masters (Emerald Passport)
Pureworks
Qing Mei (cards)
Quixtar (Amway/Alticore)
Qwestnet
Reliv

The Right Solution
Royal Body Care
Scent-sations
Scentsy
Sendoutcards.com
Sevea
Shaklee
Sibu
Silver Cache
Slender Now
Soteria/ It Works Marketing
Sportron
Spring Wellness
Stampin' Up! *[On July 1, 2006, SU changed to recruiting MLM after working to weaken Utah's Pyramid Scheme Act]*
Starlight Online
Stimulife
Success University
Sunrider
Supralife
Sweet Living
Symmetry
Synergy Worldwide
Tahitian Noni Juice (Morinda)
Talk Fusion
Take Shape for Life
Team Everest
Team Life Changes (Nutraburst)
Team National
Tianshi
TMII
Tom Danley's Tape of the Month
Top Line Creations (TLC)
Traverus Travel
Trivani
Tupperware
Ubifone
UltraeStore
Unicity
Univera Life Sciences
Usana Health Sciences
Vemma
Vibe Anti-aging
Visalus
Vision for Life
Vitagenesis
Viva Life Science
VMDirect (Helloworld)
Waiora
Watkins
Wealth Pools Int'l
WIN (Wellness Int'l Network)
World Financial Group

World Group Securities
World Leadership Group/
World Lending Group
World Marketing Alliance (WMA)
WorldVentures
Xango
Xocai
Xooma
Young Living Essential Oils
Youngevity
Your Travel Biz (YTB Travel)