

# **CONSUMER AWARENESS INSTITUTE**

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June 11, 2008  
*Via Electronic Submission*

Mr. Donald S. Clark, Secretary, and Commissioners  
of the Federal Trade Commission  
Room H-135 (Annex S)  
600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20580

***Re: REBUTTAL of Comments from the Direct Selling Association regarding  
the Revised Proposed Business Opportunity Rule, R511993***

Dear Secretary Clark and Commissioners:

Thank you for the opportunity to comment in efforts to restore some integrity to the proposed Business Opportunity Rule. In the opening paragraph of the comments by the Direct Selling Association (DSA) is this statement:

*The thoroughness and thoughtfulness of the FTC's analysis regarding the revised proposed Business Opportunity Rule ("RPBOR") and the preceding April 2006 Notice of Proposed Rulemaking ("NPR") demonstrate the seriousness with which the FTC considered the views of legitimate direct sellers who were concerned about the scope of the original proposed rule. This well-reasoned conclusion was premised not only on sound analysis but also by the fact that the FTC already possesses authority under Section 5 of the FTC Act to prosecute business Opportunity fraud in any area in which it may arise.*

In its comments #535221-00050, the DSA deftly references MLMs (multi-level marketing companies) as "legitimate direct sellers." In truth, our research proves that most MLMs (including members in the DSA) are not "direct sellers," but pyramid or endless chain sellers, though they position themselves as direct sellers to mislead law enforcement. However, in MLM opportunity rallies, they often refer to their programs as "business opportunities" or "investments" to get prospects to part with their money. New recruits are incentivized to subscribe to regular monthly product purchases to qualify for commissions and/or advancement to higher levels in the pyramidal compensation plan where potential profits can be realized. "You have to invest in your business if you expect it to grow," they are told. This type of deception is just one of over 30 typical misrepresentations I have identified that are used in MLM recruitment campaigns. (For the full list, see RNBOR comment #535221-00006, Appendix A).

The DSA flatters FTC officials with compliments that the Revised Rule was "well-reasoned." Let's be honest here. The FTC capitulated to extraordinary pressure and influence peddling by MLMs and their lobby, the DSA, which has recently

come under the control of a fraudulent MLM industry. This pressure and corrupt influence was detailed in my May 27 comments #535221-00057 and in comments by Robert Fitzpatrick #535221-00040.

The DSA assertion that “the FTC already possesses authority under Section 5 of the FTC Act to prosecute business opportunity fraud in any area in which it may arise” ignores an essential fact: Section 5 only provides for case-by case action – which is not cost effective or even possible for hundreds of fraudulent operating MLM/pyramid/chain selling schemes – at least 81 of which are represented by the DSA (as will be discussed later). This is proven by the history of FTC actions against MLMs over the past several years. Out of several hundred MLM/pyramid/chain selling schemes, including over 250 I have analyzed (See May 15 comment #535221-00006), the FTC has acted against less than 1% of these schemes using Section 5. For more information on the research that led to these conclusions, go to the research and law enforcement pages at [www.mlm-thetruth.com](http://www.mlm-thetruth.com).

On page 3, the DSA includes among “DSA Suggested Clarifications” the following:

*Business Opportunity Definition*

*As proposed, several elements within the §437.1 RNPR definitions may unintentionally include non-business opportunity activities. The proposed RNPR definition of business opportunity has three elements:*

- 1) a solicitation to enter into a new business;*
- 2) a "required payment" made to the seller; and*
- 3) a representation that the seller will provide assistance in the form of locations, outlets, security accounts, or buying back certain materials.*

*Of paramount concern to DSA is the possibility that "required payment" might be construed inappropriately to include payments for the purchase of certain materials on a not-for-profit basis. Additional concerns relate to the lack of clarity regarding what might constitute representations about providing locations, outlets, accounts, and customers; and the use of the term "provides" regarding buybacks of materials.*

MLMs most certainly satisfy at least two of the three elements of the business opportunity definition of RNPR, except that instead of providing locations and outlets, it sells an unlimited chain of participants with no territorial protection, all in competition with each other – an unfair trade practice in itself.

Also, on page 4, the DSA states:

*A "business opportunity" as defined by the proposed rule requires a prospective purchaser to "make a required payment." Notably, this definition of required payment expressly excludes "payments for the purchase of reasonable amounts of inventory at bona fide wholesale prices for resale or lease." However, the required payment element of the business opportunity definition could still inadvertently sweep in certain direct selling relationships that are clearly not intended to be covered by the revised rule. Direct sellers routinely purchase - on a not-for-profit basis - certain materials for demonstration, display, or otherwise to be used to encourage or facilitate the sale of products to consumers. The not-for-profit sale by the company of these materials is another feature that distinguishes direct selling from business opportunities and business opportunity frauds that seek up-front investments on a for-profit basis. Therefore, the exclusion for the purchase of reasonable amounts of inventory sold at bona fide wholesale prices should be amended to also include*

*payments for the purchase of business materials on a not-for-profit basis. To that end, DSA recommends modifying the required payment exclusion as follows:*

*payments for the purchase of reasonable amounts of inventory at bona fide wholesale prices for resale or lease, **or payments for business materials, supplies and equipment sold on a not-for-profit basis.***  
(Suggested new language in **boldface and underscored**)

*“not-for-profit”?? “bona fide wholesale prices”??* Who do DSA spokesmen think they are fooling? Hopefully not responsible FTC officials. If I were an FTC official reading their comments, I would be insulted at such assumed stupidity.

No informed independent analyst would agree with the “bona fide wholesale prices” charged by MLM companies for their overpriced products (usually potions and lotions) and services. In one study I reported on my web site ([www.mlm-thetruth.com/PRODUCTS-MLMprices.htm](http://www.mlm-thetruth.com/PRODUCTS-MLMprices.htm)), *prices for multi-vitamins of ten MLM companies averaged over five times as much as those sold in ten health food stores*. Even wholesale prices did not compete with retail prices for comparable products elsewhere. Of course, each of the MLM companies had a proprietary formula with secret ingredients that they claimed earned the high prices, but independent laboratory that have been done have failed to show such superiority. Just because apples have blue stripes painted on them does not make them worth five times as much as apples without stripes.

Exempting MLM from the proposed Business Opportunity Rule for the reasons given by the DSA makes about as much sense as exempting fast food restaurants from the Franchise Rule because some people might go hungry. Somehow it seems appropriate at this point to do a take-off on David Letterman’s “Top Ten” series as it relates to the DSA. See Exhibit 1: *“Top ten reasons for the FTC to be highly suspicious of any comments or lobbying initiatives by the DSA”*

**To FTC Officials:** Please do not allow yourselves to be duped by the convoluted DSA/MLM arguments in their comments on the Revised Rule. MLM typically consists of recruitment of an endless chain of recruits as primary (or only) customers. The small signup fee for most MLMs, which may include a starter kit, is merely a ruse. If you study MLM compensation plans carefully, you will find that no one qualifies for significant commissions or advancement up the various levels in the pyramidal pay plan without meeting minimum purchase requirements. Typically, these purchases are expensive “potions and lotions,” touted to help cure or prevent all manner of diseases and aging.

Add to this the various sales aids, training, leads, web sites, etc. that new recruits are told is essential to “growing your business,” and you have significant ongoing expenses needed to “play the game.” These purchases amount to camouflaged or laundered investments over several months in a product-based pyramid scheme. If you doubt this, assign some of your staff as undercover investigators to attend some MLM opportunity meetings. You will find many of them presented not as “direct selling” opportunities, but as “businesses opportunities” or “investments.”

## **Exhibit 1: “Top ten reasons for the FTC to be highly suspicious of any comments or lobbying initiatives by the Direct Selling Association (DSA)”**

- 1. The Direct Selling Association (DSA) has gradually evolved from a representative of legitimate direct selling companies to aggressive lobbyist for pyramid and chain selling schemes.
- 2. The DSA seeks to define what “direct selling” IS without excluding what legitimate direct selling is NOT – recruitment of an endless chain of participants who are the primary buyers of the products and are organized into layers in a pyramid of participants, with founders and those at the top (or beginning of the chain of recruitment) benefiting from the losses of a huge downline of victims beneath them.
- 3. The DSA has a “Code of Ethics” which its members routinely violate. In spite of its supposed ban on “Deceptive or Unlawful Consumer or Recruiting Practices,” DSA member firms use as many as 30 typical deceptions in every recruitment campaign. (See comment #535221-00006, Appendix A). DSA spokes persons also twist of the intent and application of FTC guidelines regarding internal consumption as legitimate sales.
- 4. Using these deceptions, pyramid/chain selling schemes that are members of the DSA have defrauded *tens of millions of victims* out of *hundreds of billions of dollars worldwide* since the 1979 Amway decision by the FTC that Amway was not a pyramid scheme – subject to specific “retail rules.” These retail rules have been increasingly ignored, even to the point that many MLMs in the DSA thumb their noses at these retail requirements. (See *Pyramid Nation*, by Robert FitzPatrick, available from [www.falseprofits.com](http://www.falseprofits.com). And for statistics supporting these claims of extraordinary losses by MLM victims, review the statistics page of my web site at – [www.mlm-thetruth.com](http://www.mlm-thetruth.com) )
- 5. DSA members harass with lawsuits and personal attacks on the Internet upon individuals who donate their time trying to provide consumer awareness to protect against the worst scams. Read the appeal at the “Merchants of Deception” web site - <http://www.merchantsofdeception.com/legalhelp.html>
- 6. The DSA and its members use deception and corrupt influence peddling to weaken state and federal laws against product-based pyramid schemes. (A prime example can be found in Utah as described on the Utah page of my web site at – <http://www.mlm-thetruth.com/Utah-PyramidSchemesNowLegal.htm>
- 7. DSA members donate heavily to political parties and candidates, including elective law enforcement officers. For examples, read the

- comments by Robert Fitzpatrick of Pyramid Scheme Alert in RBOR comment #535221-00040. Also, in 2006 Utah legislative hearings, Utah Attorney General Mark Shurtleff spoke in favor of the DSA-written bill exempting MLM companies from prosecution as pyramid schemes. Mr. Shurtleff has received substantial contributions from DSA members since 2002.
- 8. The DSA has engaged in the web version of identity theft by buying up alternative domain name extensions of critics and then deceptively re-directing web surfers to the DSA’s convoluted definition of what is a pyramid scheme. They did this with “pyramidschemealert.org” – only recently taking down their “pyramidschemealert.com” website when they got criticism for such deceptive web tactics. Yet they still own several domain name extensions for Pyramid Scheme Alert and for my Consumer Awareness Institute.
- 9. By appealing to millions of participants in MLM/pyramid and chain selling schemes that make up much of its membership and by blatant influence peddling (providing campaign funds and promising jobs and votes, and by hiring former high-level FTC officials to lobby for them), the DSA succeeded in exempting MLM (“direct selling”) from the FTC’s proposed Business Opportunity Rule – even though MLM misrepresentations are by far the leading category of deceptive marketing practices among business opportunity sellers. Of course, MLMs only refer to their programs as “business opportunities” or “investments” at opportunity events. They are careful not to use those terms when communicating with regulators - calling it “direct selling” instead.
- 10. The DSA is now attempting to define what the FTC can and cannot do to protect consumers, using highly deceptive verbal maneuvers that would effectively render the FTC impotent to act against the most egregious sales and business opportunity schemes. Gail Laird provides an excellent treatise on these maneuvers in her comments numbered 535221-00089 and 535221-00086, so I will not attempt to discuss them here.

For these ten reasons, the FTC should stop allowing the DSA to influence its rules and policies.

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

It is interesting to observe what happens in MLM opportunity meetings. Prospects are given a hard sell on the value of their unique products – the modern version of the snake oil pitch. Then they are encouraged to subscribe to these overpriced products on a monthly basis – to meet the minimum qualification for commissions and advancement. The small signup fee is merely a ruse.

Before going ahead with a Revised Rule that exempts MLM, FTC officials need to spend several months investigating these MLMs by actual attendance at their meetings, as some of us who are advocating for consumers have done. The MLM (“direct selling”) exemption almost totally negates the value of the Rule, as MLM is by far the leading category of fraud in the business opportunity field. I know this from 40 years of work with sales and business opportunities (including review or categorization of thousands of business opportunities), teaching entrepreneurship as adjunct college instructor, wide experience in entrepreneurship (having initiated over 40 business startups), extensive direct sales experience, and decades of advocacy for consumers. So please set aside any Business Opportunity Rule pending further research – by qualified independent researchers NOT funded in any way by the DSA or MLM industry.

Or more realistically, *considering the power exercised by the DSA with its millions of participants sucked into these pyramid/chain selling schemes (and who will fight to preserve the hope of some day realizing a profit), it may be best to cancel RPBOR altogether.* Any effort to protect consumers against these schemes with a new or revised Rule specifically directed to MLM abuse is likely to be met with similar fierce pressure by the DSA to dilute its effectiveness. The DSA will use all its massive resources and political influence to defeat any Rule that would protect consumers against some of the worst “business opportunity” schemes in history – many of which are MLMs included in DSA’s membership.

**The Direct Selling Association has everything to gain by blocking the FTC’s efforts to protect consumers from unfair and deceptive trade practices because at least 81 of their members are currently rewarding such practices. (See Exhibit 2.)**

This is a bold statement and deserves explanation. *When analyzing any human behavior, some background in psychology is helpful. Behaviorists learned decades ago that you get the behavior you reward.* While working on my Ph.D., I shared office space with “rat psychologists” who trained rats to do amazing feats simply by manipulating rewards. This is not rocket science, yet many in law enforcement have ignored this principle and depend exclusively on complaints to signal problems.

In its attempts to protect consumers, some in law enforcement have acted on complaints about behavior that could be described as “unfair and deceptive trade practices.” But complaint-driven enforcement simply does not work with MLM/pyramid/chain selling schemes. I have evidence that less than one victim in 500 of MLM endless chains ever files a complaint. They blame themselves, and they fear self-incrimination or consequences from or to their upline or downline. For more on the silence of victims, go to comment #535221-00006.

The surest signal of pyramid scheme or chain selling abuse is the underlying reward system, or compensation plan, which 14 years of research and consumer advocacy convinces me is at the root of all the unfair and deceptive trade practices associated with all MLM/pyramid/chain selling schemes. After years of review and analysis of several dozen factors that contribute to victimization of participants in such schemes, I was able to identify five factors in the compensation plan (reward system) of an MLM that clearly cause the harm – extremely high loss rates and transfer of investment from a multitude of participants at the bottom of the pyramid to a handful of founders and TOPPs (top of the pyramid promoters), making it an unfair trade practice. Taken together, these five factors also clearly separate a legitimate direct selling program or home business from what I call a “recruiting MLM” (dependent on recruitment of an endless chain of participants), or “product-based pyramid scheme.”

### **Summary of the five causative and defining factors of a recruiting MLM or product-based pyramid scheme:**

- 1. *Recruiting of participants is unlimited in an endless chain of empowered and motivated recruiters recruiting recruiters, without regard to (de facto) market saturation.*
- 2. *Advancement in a hierarchy of multiple levels of participants is achieved by recruitment and purchases, rather than by appointment.*
- 3. *“Pay to play” requirements are satisfied by ongoing “incentivized purchases,” with participants the primary customers.*
- 4. *The company pays commissions and/or bonuses to five or more levels of participants.*
- 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.*

*What should be compelling evidence for FTC officials is that in every case where data was available, when these five factors were found in an MLM compensation plan (true of nearly all MLMs), approximately 99% of participants lost money – only to enrich the TOPPs. Even more compelling is the fact that when ALL participants who signed up during a given time period were counted and ALL expenses (including incentivized purchases and minimal operating expenses) were subtracted, closer to 99.9% lost money. For the full 40-page report on how these five causative and defining factors were derived and their consequences in specific MLM programs, go to our research link at – [www.mlm-thetruth.com](http://www.mlm-thetruth.com).*

Any MLM/pyramid/chain selling program that promises infinite expansion in a finite marketplace is inherently flawed, uneconomic, and fraudulent. Yet we have observed extreme self-deception among founders and executives, who are in profound denial about the harm caused by their schemes.

It is possible for a few persons to profit from MLM participation (as from the lottery). However, to succeed, one must not only work hard, but must also (1) be

deceived, (2) maintain a high level of self-deception, (3) aggressively recruit and deceive a large downline, or revolving door, of recruits, and (4) maintain a high level of deception. (Again, for the full list of 30 typical misrepresentations, go to <http://www.mlm-thetruth.com/30typicalMLMmisrepresentations.htm>).

This dependence on a bevy of deceptions by MLM companies is the very reason the DSA is so aggressive in (1) exempting MLM (“direct selling”) from any Business Opportunity Rule requiring meaningful disclosure essential for consumer protection, and (2) attempting to influence the language in RPBOR (comment #535221-00050) to exclude all present and potential members from having to truthfully disclose such information. Though good for consumers, such disclosures could greatly limit the success of MLM/pyramid/chain selling promoters at recruiting victims into their respective schemes.

*Here is the crux of the whole matter for the FTC in evaluating any DSA input: According to the five causative and defining factors (above), a total of 81 of its members are recruiting MLMs, or product-based pyramid schemes (see Exhibit 2). They engage in unfair and deceptive trade practices because they **MUST** in order to survive. If the full truth were told about these recruiting MLMs, no one in their right mind would join, and they would collapse like a house of cards. Who would sign up to spend \$100 or more a month to qualify for bonuses and advancement if they knew their chances were less than one in a hundred that they would realize a profit (and 99% lose money), even with their best efforts?*

So if an effective Business Opportunity Rule – requiring meaningful disclosure by MLMs – were implemented, many MLMs would pass out of existence. Instead of wringing their hands over this outcome, FTC officials should rejoice. Consumers would benefit, and the integrity and effectiveness of the FTC would be restored. Some MLM founders and executives may even gravitate to honest enterprises.

*If, on the other hand, the FTC were to rely upon Section 5 to go after fraudulent MLMs, the DSA has 81 MLMs (Exhibit 2) that deserve immediate attention, since the DSA would be responsible for rendering the Business Opportunity Rule impotent in protecting consumers against the worst scams. It would not be fair to single out one or two of the members of the DSA for investigation, as all 81 are rewarding unfair and deceptive trade practices. But as Gail Laird clearly explains (RPBOR comment #535221-00081), even Section 5 would not be effective if the DSA language and recommendations were to be incorporated in the final Rule. It would be much more cost effective to have a Business Opportunity Rule that includes MLM than to go after the hundreds of abusive MLMs one by one – or simultaneously (including those in the DSA).*

### **The next step for consumer advocates on this issue.**

It is time for this issue to come before the more capable investigative journalists and/or TV program analysts who like to expose corruption in government. And if a Business Opportunity Rule is enacted that excludes MLM, it is certainly time to insist on a Congressional investigation of the FTC and its rulemaking. After all, the mission of the FTC is to protect consumers from unfair and deceptive trade practices, not those committing such practices – which is what RPBOR does.

## **Exhibit 2: DSA Member Firms that Qualify as Recruiting MLMs, or Product-based Pyramid Schemes**

**Out of 212 members, at least 81 qualify as recruiting MLMs, or product-based pyramid schemes, based on their compensation plans\*. All those listed below are practicing unfair and deceptive trade practices and merit immediate investigation under Section 5.**

4Life Research, LC , Sandy, Utah  
 5LINX Enterprises, Inc., Rochester, New York  
 ACN, Inc., Farmington Hills, Michigan  
 Advocare, International, LP, Carrollton, Texas  
 Agel Enterprises, LLC, Provo, Utah  
 Amazon Herb Co., Jupiter, Florida  
 Ameriplan USA, Plano, Texas  
 AMS Health Sciences, Inc., Oklahoma City, OK  
 Amway Corp., Ada, Michigan  
 Arbonne Int'l., Irvine, California  
 Avalla, Houston, Texas  
 Avon Products, Inc. (*Avon is marginal as a product-based pyramid scheme, but according to experienced participants, Avon has recently moved towards channel stuffing and/or internal consumption for increased volume.*)  
 Body Wise Int'l, LLC, Tustin, California  
 Cleur, Camarillo, California  
 Creative Memories, St. Cloud, Minnesota  
 CyberWize, Sarasota, Florida  
 Essentially Yours Industries, Burnaby, B.C., Canada  
 First Fitness Int'l, Carrollton, Texas  
 Forever Green Int'l, Orem, Utah  
 FreeLife Int'l, Phoenix, Arizona  
 Frutaiga, Carlsbad, California  
 Gano Excel USA, Inc., Irwindale, California  
 Global Health Trax, Vista, California  
 GNLD Int'l, Fremont, California  
 Goldshield Elite, West Palm Beach, Florida  
 Herbalife Int'l of America, Inc., Los Angeles, California  
 Heritage Makers, Provo, Utah  
 Hsin Ten Enterprise USA, Inc., Plainview, New York  
 Immunotec Research, Inc., Vaudreuil-Dorion, Quebec, Canada  
 Intregris Global, LP, Irving, Texas  
 Life Force Int'l, Poway, California  
 Lifestyles USA, Cheekowaga, New York  
 The Limu Company, Lake Mary, Florida  
 Livinity, Inc., Russell, Kansas  
 Mannatech, Inc., Coppell, Texas  
 Market America, Inc., Greensboro, North Carolina  
 Mary Kay, Inc, Dallas, Texas (*Mary Kay is marginal as a product-based pyramid scheme, but according to experienced participants, Mary Kay has recently moved towards channel stuffing and/or internal consumption for increased volume.*)  
 Max Int'l, Salt Lake City, Utah  
 Melaleuca, Inc., Idaho Falls, Idaho

Nature's Sunshine Products, Provo, Utah  
 New Vision USA, Inc., City of Industry, California  
 Neways Int'l, Springville, Utah  
 NHT Global, Inc., Dallas, Texas  
 Nikken, Inc., Irvine, California  
 Noevir USA, Inc., Irvine, California  
 NSA, Collierville, Tennessee  
 Nu Skin Enterprises/Big Planet/Pharmanex, Provo, Utah  
 PM Int'l Nutrition and Cosmetics, Export, Pennsylvania  
 Primerica Financial Services, Duluth, Georgia  
 Reliv Int'l, Inc., Redmond, Washington  
 Sentsy, Inc., Meridian, Idaho  
 Shaklee Corporation, Pleasanton, California  
 Sportron Int'l, Inc., McKinney, Texas  
 Stampin' Up, Riverton, Utah  
 Stemtech Health Sciences, Inc., San Clemente, California  
 Sunrider Int'l, Torrance, California  
 Symmetry Corporation, Milpitas, California  
 Synergy Worldwide, Provo, Utah  
 Tahitian Noni Int'l, Provo, Utah  
 Take Shape for Life – Medifast, Owings Mills, Maryland  
 Tianshi Health Products, Inc., Markham, Ontario, Canada  
 Tomboy Tools, Denver, Colorado  
 Unicity Int'l, Inc., Orem, Utah  
 Univera Life Sciences, Lacey, Washington  
 USANA, Health Sciences, Inc., Salt Lake City, Utah  
 Vision for Life Int'l, Oklahoma City, Oklahoma  
 VIVA Life Science, Inc., Costa Mesa, California  
 Wynlife Healthcare, Inc., San Diego, California  
 XanGo, LLC, Lehi, Utah  
 YTB Int'l, Wood River, Illinois

\*For a complete analysis of how the compensation plan is at the core of pyramid scheme abuse, read the report, a summary of which was prepared for the National White Collar Crime Center - and for the Economic Crime Summit Conferences (in 2002 and 2004), entitled: *"THE 5 RED FLAGS: Five Causal and Defining Characteristics of PRODUCT-BASED PYRAMID SCHEMES or RECRUITING MLM's"* – linked from our web site at – [www.mlm-thetruth.com](http://www.mlm-thetruth.com)



## Questions for FTC officials:

- Do you want to uphold the mission of the FTC to protect consumers from unfair and deceptive trade practices – or those, such as the DSA, which is attempting to emasculate the FTC in its ability to perform this function?
- Do you really want your career and your legacy to be tainted by caving in to deceptive and self-serving DSA initiatives?
- If the RPBOR wound up merely aiding and abetting MLM fraud (by exempting MLM), as it easily could, would you be comfortable with that?
- Can you picture yourselves testifying before a Congressional Committee and defending a Business Opportunity Rule that exempts MLM/pyramid/chain selling from having to make disclosures to protect consumers from what are likely the worst scams in history?
- Or will you hold your head high because you stood up to DSA's deceptive devices and its "cartel of chain selling chicanery?"

## Conclusion:

No rule is better than a bad rule – one that misleads consumers into believing the FTC offers some protection, when in fact they are terribly exposed. MLM promoters would take advantage of the exemption to tout their supposed legitimacy. Other shady business opportunities not excluded would move towards an MLM model to become exempt. And action under Section 5 could not possibly keep up with the hundreds of present and future MLM scams dotting the landscape.

A Revised Business Opportunity Rule that exempts MLMs as "direct sellers," would place the FTC in the position of inadvertent complicity in massive MLM/pyramid/chain selling fraud. MLM promoters would claim that MLM was not included in the Rule because their MLM members are "legitimate direct sellers." Nothing could be further from the truth. Collectively, fraudulent MLM schemes represent the greatest "business opportunity" scams of all time. RPBOR, in the current milieu, must be set aside.

*Up with consumers and with the mission of the FTC in protecting them from "unfair or deceptive acts or practices." Down with MLM/pyramid/chain selling fraudsters and their highly deceptive lobbying organization, the DSA!*

Sincerely,

Jon M. Taylor, MBA, Ph.D.,  
 President, Consumer Awareness Institute  
 and Advisor, Pyramid Scheme Alert  
 Also – President, Jon Taylor & Co.