

The Case (for and) against Multi-level Marketing

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Chapter 9: VILLAINS AND VICTIMS – Who or what is responsible for MLM abuse? Who are victimized by MLM? What is the impact of MLM on individuals and families? On the business community? On society at large?

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Introduction

Most people who join an MLM buy some products, test the waters by approaching a few friends and/or relatives, and then quit without much fanfare after spending no more than few hundred dollars. But there is a significant portion of participants who lose thousands, even tens of thousands of dollars, after making Herculean but vain efforts to succeed in what is actually a flawed program. Had they understood the deceptions and fallacies underlying all MLMs, it is likely they never would have joined and allowed themselves to be victimized with such predictable results.

In this chapter we will explore who is to blame for this class of consumer abuse, what types of people are affected, and in what ways individuals, families, business, and society in general are impacted by MLM abuse.

MLM's villains

As has been established in prior chapters, the loss rate for MLMs is high enough and widespread enough throughout the industry that independent analysts would not consider that multi-level marketing, or MLM, should be considered a legitimate business opportunity at all. But if people are harmed by MLM participation, who is responsible? Is the blame to be found in those who dream up the schemes, in those who do the promotion, in company spokesmen, in lax law enforcement, or some other group of people? Below are the types of players that I believe deserve some credit for specific MLM abuses and for allowing such flawed systems to go forward at all.



“Anything goes” entrepreneurs seeking to make a killing. There is a certain class of entrepreneurs who believe that anything goes, as long as it's not illegal – or at least not enforced. They are opposed to strict government regulation and believe it is the consumer's duty to remember and observe the “buyers' beware” dictum. In other words, if someone gets hurt in their program, it's not their fault, but should be placed squarely on the victim's shoulders for not being wise in his spending and investment choices. They may even see consumer protection efforts by government agencies as an encroachment on our free enterprise system.

MLM company leaders who don't understand – or don't want to understand – the harm. Some MLM leaders (founders, executives, and TOPPs (top-of-the-pyramid promoters) truly do not understand the inherent flaws in MLM as endless chain recruitment schemes. Since they interact mostly with high level people in the MLM organization, they don't get much feedback from recruits who lose money and drop out. Since they live and work in an echo chamber of enthusiastic promoters, they ignore or remain in denial of the harm when they see signs of serious problems, such as high attrition or high loss rates.

In 2001, in the presence of two witnesses, I met with Corey Lindley, who at the time was CFO for Nu Skin Enterprises, inc. about the deceptive reporting in their "Actual Average Incomes" of distributors report. Mr. Lindley responded cynically, "People don't pay any attention to those numbers."

Of course, why would Nu Skin officials want to tell the whole truth if they can obfuscate the numbers to make them appear innocuous? If true statistics were provided to prospects in a form that they could understand, no rational person would join. (See Chapter 7 where it is clearly shown that less than one in a thousand realizes a profit after expenses.)

White collar criminals who find MLM an easy way to scam people. While this is not necessarily the norm for those leading this activity, we do occasionally hear of convicted or suspected criminals who start or promote MLMs. The rapid and huge gains that can be made can be very enticing to someone who is willing to set principles of fairness and honesty aside in order to cash in at others' expense. A Google search for MLM leaders with criminal – or at least questionable – back-grounds will yield many examples.

MLM company communicators, industry spokespersons, lobbyists, and attorneys hired by MLMs. Those whose job it is to explain away the many problems that surface in this corrupt industry create and share arguments against whistleblowers who challenge the system

and plaintiff attorneys and their experts who present evidence of fraud. See Chapter 8 for the many deceptions that are used to counter those who labor on the side of truth in this arena.

These paid pro-MLM forces, especially the DSA (Direct Selling Association), are well-funded and powerful. They can be acting purely out of pecuniary or self-serving interests and divorce themselves from concern for the well-being of the public. I saw this demonstrated in several legal cases against MLMs in which the experts hired by the defense repeated the same deceptions used by MLM spokespersons for decades. (See Chapter 8 for over 100 typical examples of misrepresentations used by MLM defenders.)



Legislators responding to MLM special interests – and consumer protection officials influenced by them.

Consumer protection has suffered as legislators have caved to the demands of MLMs willing to support their election campaigns with money and promises of support from a large block of voters.

I witnessed this first-hand when the DSA and some Utah MLM companies drafted and lobbied the Utah State Legislature for a bill exempting MLMs from prosecution as pyramid schemes – so long as they offered "consumable products." When I spoke at the hearings, I found the attitude towards me to be quite hostile, as the room was full of DSA and MLM spokespersons and minions.

One senator, apparently influenced by implied support from a large block of "90,000 direct sellers in the state" (according to DSA testimony in 2005) and donations towards his next election campaign, lectured all present on how in any business there are those who succeed and those who fail. He said that if a person invested in a program and didn't work hard enough or made foolish decisions, it was not the company's fault. His message, in essence, was "You can't legislate morality." His highly conservative associates all nodded their heads in agreement.

Even Utah Attorney General Mark Shurtleff testified in favor of the bill, saying it targeted “only the really bad pyramid schemes – the ones that are not selling any legitimate products.” He was clearly misinformed on the subject – and not interested in

getting informed. I later learned that the primary contributors to his campaign were MLM companies. He also spoke at a USANA convention, a video of which was shown on YouTube in which he said, “If I were not Attorney General, I would be a USANA distributor” – which brought wild applause!

Complaint-based law enforcement agencies. Since victims of endless chain schemes rarely file complaints, less than proactive regulators fail to see MLM as a problem. In the consumer protection function in law enforcement, generally the squeaky wheel gets the grease. No complaints – no action. It takes a truly caring, daring, and dedicated public official to stand up to the powerful lobby and defense forces of the MLM industry. In other words, This type of white collar crime is not one for which complaints are an effective trigger for action.

Why do MLM victims remain silent? Victims almost never file complaints for a variety of reasons, including the following that we have observed in working with MLM victims:

- They blame themselves, since they’ve been taught that anyone who properly “works the system” will succeed and that if a new participant fails it is their fault, rather than the fault of the system.
- Since they are part of an endless chain of recruitment, they fear consequences for filing a complaint from or to those they recruited or those who recruited them, who may be close friends or relatives still in the program.
- They may fear self-incrimination, since in MLM every major victim has

When these numbers are properly understood, losses from MLM fraud easily exceed all other classes of “work from home” or “business opportunity” fraud

likely been a perpetrator, recruiting unwitting persons in order to cover their escalating expenses of participation.

In the aforementioned legislative hearings, officials from the Department of Commerce and Division of Consumer Protection

testified that they had received only a couple of dozen complaints from victims of MLM companies. I knew from my research that victims of Nu Skin’s program alone numbered in the hundreds of thousands. But for the reasons mentioned above, it was extremely rare for anyone to file a formal complaint.

In its 2006 proposal for a new Business Opportunity Rule, the FTC noted¹



The Commission staff’s analysis of consumer fraud complaint data also demonstrates the prevalence of deceptive pyramid marketing schemes. For the period January 1997 through December 2005, Commission staff found that consumers lodged 17,858 complaints against pyramid schemes, reporting alleged aggregate injury level of over \$46 million (\$46,824,347). Indeed, complaints against pyramid marketing companies consistently ranked among the top 20 injury categories reported in consumer fraud complaints to the Commission.

As serious a problem as “pyramid marketing schemes” may seem from these FTC complaint statistics, they grossly underestimate the problem. Since 99%² of the approximately 15 million MLM participants³ every year lose money⁴ – all of whom joined



¹ Federal Register / Vol. 71, No. 70 / Wednesday, April 12, 2006 / Proposed Rules

² Chapter 7

³ DSA 2009 sales figures, dated 7-27-2010 – showing 16.1 million “direct sales representatives” – which DSA admits are mostly MLM participants

⁴ Chapter 7

the MLM based on a whole litany of misrepresentations⁵ – the actual number of MLM victims every year easily exceeds ten million (including some long-term victims), and tens of millions more if you count overseas victims of U.S.-based MLMs.

Aggregate losses would amount to over \$20 billion per year in this country alone⁶. In fact, when these numbers are properly understood, losses from MLM fraud easily exceed all other classes of “work from home” or “business opportunity” fraud put together. (For background on these statistics, see Chapters 2, 7, and 8.)

In fact, if you extrapolate from the above statistics, the aggregate losses suffered by victims of MLMs since the 1979 Amway decision could easily be hundreds of millions of dollars – suffered by hundreds of millions of victims worldwide. Losses suffered by the entire DSA/MLM cartel would be many times the huge aggregate losses suffered by victims in the Bernie Madoff scandal!

Complaint-based law enforcement or consumer protection simply does not work in combating pyramid marketing schemes, or MLMs. What is needed are consumer protection officials with both the skill and the will to be proactive in dealing with “entrepreneurial chains.” They need to understand the inherent flaws in MLM and be willing to stand up to powerful legal teams that defend them.

Occasionally – but only rarely – a dedicated public servant goes beyond acting on the volume of complaints and looks at the issue qualitatively and in depth. I have been privileged to share research and experiences with two such persons.

One is Bruce Craig, former Assistant to the Attorney General of Wisconsin. Following his experiences with Amway and other MLMs in Wisconsin, he petitioned the FTC to be more aggressive in enforcing existing laws against pyramid schemes, including MLMs. He is the official that reported that the average income as reported on their taxes for the top 1% of

Amway Dealers in Wisconsin was about minus \$900.

Another was Kristine Lanning, who worked on consumer protection under the Attorney General for North Carolina and worked to get officials in other states to be more proactive in curtailing MLM abuse. Ms. Lanning explained to me why consumer protection officials are so hesitant to go after MLMs. She said it would take twenty times the resources to prosecute an MLM as it would to go after the typical consumer fraud case that comes before them.

The ultimate villain – a flawed endless chain recruitment SYSTEM.

I recognize that most MLM participants, including even many TOPPs, do not see the flaws in their system and certainly don't see themselves as con artists. It is not the people or the products that are at the root of the problems with MLM. I am convinced that



it is the endless chain SYSTEM (and their top-weighted pay plans) that is to blame – and the legislative bodies and regulatory agencies who have allowed MLM to continue virtually unchecked. (The FTC only prosecuted about 17 MLM cases in ten years – out of over 1,000 that were clearly violating Section 5.⁷)

I will not repeat here all the arguments and evidence behind the conclusion that MLM as an endless chain system is inherently flawed, uneconomic, and deceptive – benefitting a few at the expense of whole multitudes of victims. Properly understood, MLM should be illegal per se – as are “pay to play” chain letters and no-product pyramid schemes.⁸

⁵ Chapter 8

⁶ DSA 2009 sales figures, dated 7-27-2010 – showing \$28.33 billion in U.S. sales by “direct sales representatives” – which DSA admits are mostly MLM participants. Our research shows this represents losses for at least 99% of participants.

⁷ See Chapters 2, 7, 8, and 10

⁸ See Chapters 2, 7, 8, and 10.

The villain we don't want to see – all of us! As the famous Pogo cartoon caption said, “We have seen the enemy – and he is us.” Ultimately, all of us must assume some responsibility for allowing such an unfair and deceptive business practice as MLM to spread like a fast-growing cancer without doing anything to stop it.

Clearly, the FTC made a mistake in not ruling MLMs as inherently unfair and deceptive, and therefore illegal (based on Section 5 of the FTC Code), as they do with classic no-product pyramid schemes and “pay to play” chain letters. The Amway decision set up a terrible precedent, but we may have to live with it – since the “DSA/MLM cartel” (my term) is too powerful to be stopped altogether. However, we don't have to allow the DSA and other pro-MLM forces to have all their wishes granted in future rulings and legislative actions.

Adequate disclosure would go a long way towards protecting consumers. For example, if prospects knew that their chances of earning a profit after expenses were at best about one in a thousand, or that the odds of earning the huge incomes displayed at MLM opportunity meetings and in their promotional literature were one in 25,000, or one in 50,000, etc., they may hesitate to sign up.

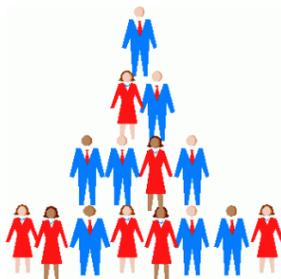
Other suggestions that could work to prevent the worst abuses of MLM, thereby creating a “good MLM” (if such were possible), are at the end of Chapter 2. But I don't expect any of these to be taken seriously, as no one would achieve sudden wealth.

MLM's victims

There are many kinds of people who fall prey to the false promises and questionable appeals of MLM recruiters. Some that I have observed through the years include:

Friends and relatives of participants.

Many simply fall for the person-to-person appeals used so effectively in endless chain recruitment programs. And some



join just to please a friend or loved one and come to see after several meetings with skilled recruiters some possibility that they may personally gain as well. However, in nearly every case, the result is disappointment and loss - sometimes significant losses as result of a recruiter exploiting this relationship. Trust is violated and relationships are strained.

The unemployed or underemployed.

Many are struggling and eager to improve their situation – often willing to grasp at any straw that looks promising. They are sitting ducks for the oft-repeated slogans of MLM recruiters that portray MLM as a solution to their financial woes. This to me is one of the most reprehensible strategies of MLM recruiters. Those who join nearly always get further in debt or lose what precious resources they had left – only to enrich TOPPs (top-of-the-pyramid promoters).

Ambitious but unwise entrepreneurs.

Some of these find the MLM appeals of “residual income,” “time freedom,” “multiple streams of income,” etc. irresistible. They are always looking for ways to make a buck, especially the possibility of “absentee income.” They also fail to see the inherent fallacies underlying all “entrepreneurial chains.”

The unsophisticated and uneducated. Persons unschooled or weak in their understanding of basic mathematics or economics may they fail to see the inherent flaws in endless chain recruitment systems. These folks may not be of low intelligence, just lacking in mathematical savvy.

The knowledgeable but unwary.

Others are just caught unaware, as the dialogue of deception is so pervasive and skillful that even intelligent people are often duped into believing that MLM could be legitimate.

I have to admit that I was one of those. With an MBA background which included two years in statistics, economics, accounting, and finance and with research skills from my doctoral studies, and though I was originally very skeptical, I eventually fell for the deceitful rhetoric of my recruiters and upline. My “due diligence” in contacting

federal and state sources and the Better Business Bureau were not helpful. (See Chapter 1 for my full story.)

Common interests. Some find themselves drawn into an MLM program because of some interest shared by an MLM recruiter. It may be an important relationship with the recruiter or an interest in earning large sums of money on an absentee basis so they can pursue other interests. More common are those who have a passion for alternative medicine, for “pill, potions, and lotions,” with magical properties that promoters claim will cure or prevent all sorts of maladies, enhance one’s energy and mood, and even prolong one’s life.

Members of close-knit organizations. Once a member of an organization that has cultivated very close relationships becomes hooked on MLM, he or she may be successful in recruiting others and they still others in a subgroup of MLM adherents that eventually

involves the whole organization.. An “us vs. them” mentality can set in, much like a cult. For example, some Mormon and Amish communities have been powerfully affected by MLM recruitment campaigns.



MLM junkies. These are persons who have become addicted to the passive income appeal of MLM and have failed time after time in each of several MLMs, but keep trying new ones in hopes that “this may be the one.” They are like the person in and out of a long string of romantic relationships looking for the ideal mate.

Many friends and family members of such MLM junkies have written me, pleading for ways to deprogram those for whom they care deeply but who turn a deaf ear to reason. Regrettably, I have to tell them that a person convinced against his will is of the same opinion still. They may have to crash and burn before they come to their senses.

Some never will accept the truth about what their MLM involvement has done to them. One young woman reported that during her growing up years her father was always spending the family’s resources chasing the dream of becoming a Diamond in Amway. He had given up his college education to pursue his “dream” and accepted government welfare to help support his family. She avoided having friends over because they would see that she and her siblings slept on mattresses on the floor. This had been going on for 20 years!

The small business community. Any unfair and deceptive business model saps resources that could have been better spent on legitimate businesses. Loans are made to MLM companies that could have been made to honest businesses – though bankers and SBA officials have said they will not loan to new recruits seeking funds to start their MLM “business.”

Products are produced for consumption by pyramid selling participants that draw sales away from legitimate businesses. And people attempting to perform legitimate direct selling functions sometimes find it difficult to compete with MLMs who deceptively use the implied “business opportunity” appeal to sell products. Unfair competition is harmful to legitimate business generally.

Affinity groups. MLM recruiters have enjoyed an unusual pattern of success with tightly-knit groups that we sometimes call “affinity groups.” This is particularly noticeable with some churches, such as the Amish, Latter-day Saints (Mormons), and some evangelical entrepreneurs who tie MLM to being better able to perform Christian charitable work. One MLM seminar was labeled something like “Christian Millionaire Mindset Conference.” We have also received reports of independent churches that are virtually ruined by a pastor’s involvement in some MLM recruitment tied in with a church’s fundraising efforts.

Humanitarian causes. We have received reports of MLMs selling nutritious dry-pack meals to poor struggling nations in

Africa. New recruits to their programs are told that a portion of their product purchases go to helping feed starving populations through these special meals – or that donations can be made directly to such funds. What they are not told is that the food is supplied with a huge profit margin to the company.

We have also learned of programs tied into MLM recruitment, in which scouts identify AIDS victims in Africa. New MLM recruits are told that they can sponsor an AIDS victim and that a portion of their purchases will go towards helping that person get the help he or she needs. The implication is that if the recruit drops out and stops meeting his or her quota of purchases, the aid to that person will stop.

Society at large – all of us. When MLM or any form of white collar crime spreads unchecked in a free society, everyone suffers – because we all pay a price. We wind up providing support for victims who have been impoverished, to families whose marriages are broken up, to attorneys and courts who must deal with class action lawsuits. And we lose respect for those in authority who we assume are there to protect us from scams. This includes the FTC, state attorneys general, consumer protection agencies, legislators, the Better Business Bureau, and a complicit business press that (in the case of MLMs) gives glowing reports of rapidly growing new companies – that are merely following a pattern of early momentum in typical pyramid scheme fashion.⁹

Victims cheering the victimizer. As an interesting side note, when I tested the Nu Skin program (IDN Division), I remember vividly one “IDN University” meeting in a large auditorium where

As MLM grows, struggling consumers who fall for MLM suffer, families suffer, legitimate businesses suffer, law enforcement suffers, and society at large suffers.

a “Blue Diamond” (highest level in the pay plan) was introduced to an enthusiastic audience. He stammered as he admitted sheepishly (as best I can recall), “Gosh, I

don’t have much to say. I haven’t been working much lately, as I have plenty of money coming in to support my ranch, travel, and many hobbies.”

He left the speaker’s podium, and the person presiding announced, “There goes a man who has made \$20 million in network marketing!” We all cheered and clapped as he strutted down the middle aisle of the auditorium in his double-breasted suit with gold buttons. What I didn’t know then but understand perfectly now, is that we were all his victims. And we were cheering him on!



Personal and social costs of MLM

MLM’s effects on individuals and families. By now it should be clear that MLM exploits the time and energy of participants, all for the benefit of founders, TOPPs, company executives, and others who dip their hands in the lucrative MLM till. While most recruits buy some products and may try unsuccessfully to sell products or recruit, some take in the deceptive appeals

of MLM promoters and make a valiant effort to succeed. But because of the flaws in the system, almost all recruits after the first ones in wind up losing money and dropping out.

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In the long run, impoverishment of participants is not the worst of problems with MLM. Participants squander their “social capital,” placing in jeopardy those relationships they have spent a lifetime cultivating.

⁹ See Chapter 3

worst of problems with MLM. Participants squander their “social capital,” placing in jeopardy those relationships they have spent a lifetime cultivating. It is not unusual for persons who are hooked on MLM to become ostracized by other family members and social groups of which they are a part. The social networks that were built on trust and caring now find them a liability and an embarrassment.

We have received reports of numerous divorces due in no small part to MLM involvement, as one partner rejects the other partner who becomes a “dream-stealer” for not supporting him or her. And sometimes extended families become split over MLM involvement.

Sadly, MLM leads to worse effects for some. I have learned of two murders, two suicides, and one near suicide resulting directly from intense MLM involvement.

For sample letters from the thousands we have received over the past 15 years related to personal and family problems with MLM, see Appendix 9A.

Conclusions

Together with the information from prior chapters, we see that there are many villains and many victims in MLM. People who have read many reports on my web site, as well as reports of other independent consumer advocates and researchers in this field, are surprised at how much worse MLM is than they had previously supposed. It certainly qualifies as an unfair and deceptive practice, which the FTC is pledged to protect against. And based on worldwide feedback the harm is more deeply felt and widespread than I and others supposed when we first began reporting on the subject.

From my communications with thousands of MLM participants and their families, as well as with MLM officials and law enforcement officials, it is clear to me that few understand the harm that results from MLM participation. Finding one or more villains in this field is virtually impossible. It is the SYSTEM that underlies all MLM programs that is the chief villain – an endless chain of recruitment of

participants as primary (or only) customers. It is essentially a money transfer scheme, transferring funds from a revolving door of recruits (who must make purchases in order to participate fully – usually by subscription) to a few key people in the organization, including founders, managers, and TOPPs (top-of-the-pyramid promoters).

Again, the victims of MLM are many and varied, including family, friends, affinity groups, and those struggling to get ahead. Most participants are minimally affected, but those who believe the hype and invest a lot, lose a lot. Some even display patterns of addiction and are never the same. As MLM grows, struggling consumers who fall for MLM suffer, legitimate businesses suffer, law enforcement suffers, and society at large suffers.

According to a statement by former FTC Chairman James C. Miller, III, “Section 5 of the FTC Act declares unfair or deceptive acts or practices unlawful.”¹⁰ If there was ever an unfair and deceptive practice, MLM is it!

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¹⁰ *FTC Policy Statement on Deception* by James C. Miller, III, FTC Chairman, dated October 14, 1983. Appended to Cliffdale Associates, Inc., 103 F.T.C. 110, 174 (1984).

Appendix 9A: Sample feedback from persons affected by MLM

NOTE: For obvious reasons, the individuals who have sent us letters such as these are often reticent to identify their names or addresses. Many have suffered great losses or have family members who are still suffering but are in denial about the fraud perpetrated upon them. These particular letters were selected because they powerfully express problems with MLM participation of which many in law enforcement officials may not be aware. Victims of MLM abuse seldom file reports with law enforcement officials for reasons outlined in this chapter. However, they will write us because we have no authority to act directly against the MLM companies, but do understand and can advise them on what actions they might take. Such actions will be discussed in Chapter 11.

**So, after crying every night for a month and being completely sick about life I have decided to stop the madness! Now I feel like I am FREE! It's amazing, I can talk to people without feeling the weight of "did you talk to them about ARBONNE??" on my shoulder. I can't tell you the relief I feel!
- Fancy Free!**

“Fancy Free” escapes the madness

Everything on your website has been going through my mind in the past month. About 2 months ago, I started on my "MLM mission" in Arbonne. I was completely head over heels with the thought of "residual income" just for "sharing" with others how they could make "residual" income. Now I am just sick about the whole thing, especially because a close friend of mine signed up under me.

Every night I would cry just THINKING about having to go talk to people about the "opportunity." I was being forced by the whole MLM thinking to talk to friends I haven't been in touch with and pester them or "drip" on them as my upline told me.

I was continually told by my upline that I was feeling down because I was getting out of my "comfort" zone or because it was

building my character. . . I was more stressed out than I have been in my whole life!!

I had so much money into it that my husband didn't want me to quit. We even had to put MORE money into it at the end of the month so we didn't "lose" our qualification quota. The night I spent another \$450 on our credit card to keep our "district qualification," I broke out in hives, I have never been allergic to anything in my life, I don't think it was a coincidence.

So, after crying every night for a month and being completely sick about life I have decided to stop the madness! Now I feel like I am FREE! It's amazing, I can talk to people without feeling the weight of "did you talk to them about ARBONNE??" on my shoulder. I can't tell you the relief I feel!

I regret that I got my very good friend involved and I am afraid of the rift it may have put in an otherwise great friendship. I am not sure how I ever got talked into this or how anyone stays in it! I appreciate your insight and humor. .

Thanks,
Fancy Free! (Erica)

Family torn apart by various MLMs over the years

Dear Dr. Taylor,

Thank you so much for providing the truth regarding MLMs. Pyramid schemes have torn my family apart on many different occasions. My dad was involved in Dare to Be Great in the late 60's/early 70's. Now several of my family members are involved in LifeMax. It hurts more than you can imagine. Seeing everything get taken from

us as children and now seeing the potential for it to happen again to my younger sister who has a 10 month old baby.

Perhaps what's worse is knowing so many people who are hurting in this bad economy are desperate and are turning to this. And how the scammers use God and "the chance to help starving people around the world"! It's AWFUL!!!

Just a quick question, I noticed now when I Google " LifeMax and pyramid schemes" that I can no longer find articles about people who've been burned (I know they're out there). Seems that Lifemax has purchased all the key words and used Search Engine Maximization to continue to sell their "lifestyle" and silence the truth. They're deceiving people even more than ever with articles that are disguised as legitimate reviews. So, sadly, people will have a hard time getting the facts. Is there any solution or recourse?

I'm lucky to have found your web site. I will keep it in my files for backup when I need it.

Best regards,

– Paige B.

Daughter of Amway dealer who lost much of her childhood is still haunted by Amway.

My parents were involved with Amway – the leading MLM – for 20 years. The costs to my family for their participation have been devastating. I and my six other siblings were robbed of my parents' time, attention, and relationships because they spent most of their waking hours dreaming about their Amway business, going to rallies, seminars and functions that continued to fuel this fire but which eventually cost them their self-respect, their children's and many friends' trust, and tens of thousands of dollars.

It also cost my father his college education because as he was beginning plans for attending school, he decided to

join the Amway system because it promised to be a short cut to financial freedom. Now, after 20+ years of financial, relationship, physical and emotional loss, he struggles to find work that can support his family and pay off his gargantuan debt.

"I grew up with the secret that my parents were in Amway – I couldn't tell friends what my father did for a living. I only said he had his own business.

"I couldn't bring friends to my house because I was embarrassed that they may find out I didn't have any bedroom furniture or that my siblings slept on mattresses on the floor. Not only have we as children had to pay for our own college educations and weddings, but we had to pay for our own school clothes, school supplies and other basics growing up; except for the time they received welfare.

"Even now I am not comfortable leaving my own daughter in her grandparents' home because of its depressing state of disrepair. You may be thinking, well maybe my father was just lazy. But I am here to testify that my father and my mother worked the Amway business [with total dedication].

"When we went without the basics year after year we believed as children that if we were patient a little longer while my parents were gone showing the plan or attending meetings, they would one day "go Diamond" and it would all be worth it. We were going to be rich someday and then we would get our parents back; then we would have clothes and furniture and security. But the promise couldn't be kept because the compensation plan for MLMs don't make good on their word that it is an opportunity of a lifetime.

"If working hard and sacrificing your every waking moment for the dream was what it took, my parents should be at the top. They wouldn't quit, no matter how much they and we suffered, they believed it was just around the corner so they kept working the business for 20+ years. The suffering created from belief in the lie and scheme of MLM will continue to haunt my family."

– Anonymous Amway victim

Get a real job at McD's and make honest money.

MLMs? Stay away from them and those that promote them. The pressure to join is intense and subtle. The guilt that can be applied is terrible.

My wife and I were in 7 different systems – Nu Skin, Amway, through to ACN and Usana. Each held the carrot of success and leisure before our eyes, and we could taste our prize. The tricks to get us hooked were ingenious, the pressure to conform was enormous and at times brought my wife to tears because we just couldn't afford to attend a certain "Function." This of course showed that we were NOT committed to our success and would hold up our advancement in the organization.

We made just enough money to entice us to try a little harder, spend a little bit more money on a NEW and BETTER lead generating system. Any profit you might make for that month would be swallowed by the next system that was sure to make finding your next downline a snap. Did we make any profit after all those years of chasing our dream? NO! Did we spend our grandchildren's inheritance? No, but if we had continued, who knows?

The functions, weekly meetings, the phone calls from and to your all-knowing upline, the books, the seminars and the constant search for the 'BEST' lead generating system with their set-up fees and monthly lead expenses and your monthly commitment of product purchases finally broke our back and our spirit, and we quit.

Where are all those upline "friends and supporters"? Nowhere in sight.

Anyone looking to make money in MLM had better start by selling third rate used cars and get skin as thick as a rhino. Better yet get a real second job at a Mc D's and make some honest money.

– George

MLM scams harm individuals and society financially, relationally, and morally.

Recently a close friend of mine got involved with ACN with her grown son and husband. She has turned into a brainwashed zombie and because I'm less than enthusiastic about it (I haven't said anything disparaging, though), our relationship is slowly waning. She's bought into it hook, line and sinker. It seems that at this point she would just rebuff my critical analysis. It has spurred me to do a lot of research, however, and I'm indignant to see it has become a global phenomenon to the detriment of all.

Thank you so much for hosting this website. The truth about these scams needs to be presented as an antidote for the lies of illusive riches which only appeal to ones baser nature. I feel these scams harm financially, relationally and morally to individuals and society as a whole. It seems the cancer is growing and spreading to developing world which can ill afford to slow their economic progress. Thank you.

– Anonymous wanting MLM antidote

Chiropractor's girl friend threatens relationship and dumps almost \$50,000 into two MLMs.

I am a Chiropractor in Sigel, PA. My girlfriend is pulled into MLM / Pyramid schemes "businesses. She was deeply involved in Market America. Brainwashed into spending her own money (Credit Cards!), purchasing products and working toward false "LEVELS" of achievement. Now reaching "Executive Coordinator" and was almost pulled into the DEEP recruiting part of the business.

She spent over \$30,000 in purchasing products, going to seminars and buying marketing strategies to "success". They had her brainwashed telling her she must put family, friends, relationships, work, everything second for the next few years to

accomplish her "Financial Freedom". She almost left me.

She finally left MA and saw that they were all cons and stopped spending full force, only because someone from another MLM, "UNIVERA" told her that their program was much better and easier to make money. She admits she understands that it is the same "PYRAMID" scam as MARKET AMERICA, but tries to reassure me that she knows they are sharks, but she can work it "smart" and not get scammed.

She believes the products are actually HELPING people, and justifies that is why UNIVERA is "ETHICAL". I managed to get her out of credit card debt (almost \$50,000) and refinance that debt into her house payment and close all of the credit cards to stop the temptation of dumping money (22% interest) into this new MLM.

It is destroying our relationship. How can you get someone to completely stop involvement in these organizations? When it comes from myself or family, she defends the programs and pushes away. Could you please send emails to her, or to me warning of MLM/Pyramid scams. How they are illegal and unethical, no matter how "good" the product is for people.

Thank you,

– Jonathan

MBA grad sucked into 3rd MLM in seven years, sinks into depression

My son lives in California, has an MBA and has been involved in network marketing for about seven years. At one point he had a six-figure income and thought the sky was the limit (Cyberwize). When his upline decided to change network marketing companies due to a disagreement and pending lawsuit, my son followed with financially unfortunate results.

Now he and the same upline are in a third company. My wife and I have been pretty much supporting him for the past nine months. He keeps thinking that he will experience a 'break-through' and be on top again, but he seems very depressed some

of the time. We are very worried about him.

Do you know of anyone who might help him to see the reality of the MLM lie? I have tried to reason with him, asking him to discuss his situation with a job counselor on several occasions and offering to pay for the counseling. No luck. It seems to me that MLM is very much like a religious cult and that victims like my son will require deprogramming by a professional. I'm sure he won't listen to me and has a pretty closed mind at this point.

– Anonymous victim with MBA

Mom turns irrational when it comes to MLM

For just some quick introductory back story of my relationship to MLM, my mother began playing the game with Excel telecommunications when I was about 12 years old. It was more than bizarre. She put 500 dollars on a credit card to buy miniature phone magnets, while I had to be on the free lunch program at school.

But at age 12, it's hard to tell your mom that she's being scammed. And of course I wasn't as equipped to do the research as I am today. Then flash-forward about 10 years, where she divorces and moves in with her mom. For a while she works normal jobs, and seems more happy than I've ever seen her. We all laugh to ourselves in relief that she has dropped the cultish Excel, but don't bring it up, assuming that she herself is embarrassed about her participation.

Then one day she drops all that, and relapses into Xango. When we finally confronted her about MLM, she had already spent all of the money she had gained in the divorce, lost a house, and went into what we are estimating is around \$150,000 in debt.

I know you're not going to believe this, but in almost every other facet of her life she is an especially rational person, but this one sector has her so brainwashed we don't know what to do.

Being as how you are one of the primary - or at least most visible - specialists on decoded MLM rhetoric and practice, I

KNOW that you must get these emails often, so let me also say upfront that I'm not writing to beg you to fly here and deprogram my mom, though we (my brother and I) are desperately attempting to do so.

In all my years of education, I never researched something as intensely - and neurotically - as this company and its mode of operation, mostly because no grade has ever been as important as the mental health and well being of my mother.

In a frantic couple of months, I had compiled my research (beginning with Excel and ending with Xango) into a Power Point presentation that became our two-day long intervention. It was presented in a way such that I thought this was information she was unaware of, and tread delicately, as I felt like I was about to destroy something she loved.

It seemed to break her emotionally, and when it seemed she was going to quit, she left on vacation, and came back, defiant like I had never seen her before, insistent that we are never allowed to bring up this topic again, and that she would continue to run rampantly into debt along with this magic juice Xango. We are the dream stealers. . .

My brother and I have had the unique experience of borrowing my mother's DVD's and training materials provided by this company, and we noticed some peculiar things, one of which is the introductory DVD they give you when you sign up. On the DVD menu, there are 4 videos to choose from. When you play all, it plays the first 3, each of which are maybe 5 minutes long. The first two are essentially the regular MLM hype with limos and yachts, and then the 3rd one basically a commercial for training material for you to buy. And then oddly enough...it just turns off. That's right, the DVD TURNS OFF.

But wait, wasn't there a 4th video? So you go back, turn it on, and scroll down to the 4th video and press play, and it's about

This MLM scheme is fraudulent and should not be marketed as a money making opportunity. I did follow all of the steps and I did work very hard which is a proven and solid fact. These were the conditions which I was told would produce a profit. I followed the plan and it didn't work. Everyone who gets into this business is lied to and in turn required to lie to others to achieve even a little
- Nicole L., Utah

an hour-long video giving you the legal side of what can and can't be done in MLM, what health claims can and can't be made etc. - basically the part of the video their lawyer made them put in.

We made my mom watch it, because she admitted she never had, and it

absolutely decimates the way this business is conducted. I mean, there is NO WAY any of these reps have actually watched or abide by this section of the video - not that that's new to you... but it made me wonder if that becomes a legal issue, deliberately hiding that sort of thing. . .

If any of this is help then I am glad to offer it, and if there is any complimentary information to what you have learned, I would love to know about it. Either way my sincerest appreciation for your dedication and your time,

— Richard

Woman seeks enough through MLM to work from home but winds up having to work harder than ever to repay debt.

I joined Herbalife as a supervisor on June 8th 2005. I joined through the marketing company Online Business Systems.

I became a supervisor because my coaches said that it was a proven marketing plan and that if I had a desire and worked hard then I would be able to replace my income within 6 months. My goal wasn't to become extremely wealthy. It was just to make enough so that I could stay home with my children. That amount was around \$1700 per month that I would need in order

to complete my goal. I am a hard worker and I do have a strong desire to succeed and even though my husband had some very strong reservations against this plan, I was going to prove my ability to make it work.

I worked my regular 40 hour weeks and then put in countless hours recruiting and selling product for my Herbalife business. The first month that I was in business, which was July of 2005, I produced \$10,000 in business for Herbalife. This achievement propelled me to the level of World Team. I received a check for \$450. I thought that I was doing very well and that what they had told me was true: Desire and Hard Work = Freedom, Time, and Money. However, this excitement died very quickly.

When I began this business my “coaches” told me that if I was going to do this at all I needed to invest some money so that I would have the ability to make it work. I was promised that if I followed the steps that they gave me and with their help and expertise I would make my money back in the first month. I invested approximately \$4,500 on a credit card. I spent the next 8 months the exact same way as the 1st month but without the results. I was only fattening Herbalife’s coffers while putting myself and my family at extreme financial risk. Everything I was told about this “business” has been a lie. None of Herbalife’s representatives told me that according to their *“Statement of Average Gross Compensation of U.S. Supervisors in 2004”* only 1.5% of “Active Leaders” earned enough to meet the “pay to play” requirements of \$2,000/month in Herbalife sales/purchases in order to qualify for commissions and advancement in the program – and that more likely less than 1/10 of 1% of ALL distributors (including dropouts) ever earn enough to report a profit on their income taxes after subtracting the most minimal expenses needed to be “successful.” Had I known this crucial information, I would never have invested a penny in their program. To even present this as a legitimate income opportunity is a huge misrepresentation. This MLM scheme is fraudulent and should not be marketed as a money making opportunity. I did follow all of the steps and I did work very hard which is a proven and solid fact. These were the

conditions which I was told would produce a profit. I followed the plan and it didn’t work. Everyone who gets into this business is lied to and in turn required to lie to others to achieve even a little.

– Nicole L., Utah

Photographer misled by MLM recruiter & loses over \$15,000

I have been married for fifteen years and we have four children – ages two, six, seven and ten. I home school them. I am also a photographer. I began my home studio in late September of 2006, so I am still in my very fragile first year of business. My husband also is self employed with his own ceramic tile and hardwood flooring business, which provides our family with just enough to manage a growing family of six.

In late January of this year, a Photomax Distributor contacted me. She had purchased my name in a leads package. She went through the scripted call with me, and I listened to the recorded voice on demand call made by Laura. I was interested in Photomax as an addition to my new photography studio. It seemed possible to me that I could use the lab and sign people up as customers. I thought that I could earn a decent commission from all my new customers to help fund my new studio, as well as help with family needs.

According to Laura’s voice recording I could get started in this business for next to nothing while using what she called “OPM” or “other peoples’ money” because “nearly every business gets started this way” and that “it only cost most people about \$25 in interest to get started” with the \$1350 Fast Track package. This is the package which is meant for the “real go-getters” who “want to quickly begin earning the bigger money faster.” According to Laura, going with that package would position me to, “begin earning several thousand a month quickly, earn higher commissions and be entered in a monthly bonus pool, which is like a profit sharing plan, with checks ranging anywhere from \$1200 to over \$20,000 a month - on top of your regular commissions.”

I was led to believe that I could use the opportunity to help support my family. I was told I only need to bring two things into the business. These were “commitment” and “coachability,” which meant I needed to do everything my upline told me to do.

I was immediately sent out training information and training call schedules and told I should attend a minimum of two training calls a week and at least one prospecting call to be successful. I was also instructed to make a list of goals and set my time commitments. All of this I did. I also was told to provide a list of at least 30 people to contact; I then listened in on three-way calls while my “success coach” called them for me. I was given a list of Lead resources and I listened to every recorded training available on the “Millionaire Max” web site. I was completely coachable.

I did not have an Internet connection fast enough to view the necessary websites, so I was told that DSL would be helpful to my business. I was also told I would need a good headset to use while making calls. After all suggestions I ended up getting DSL, a professional headset, a second phone line, a second computer, several packages of leads and several types of marketing materials.

In April, a Leadership Conference was scheduled in Dallas. On all the training calls leading up to the conference, new recruits were encouraged to get to the conference (which was out of pocket to distributors) “even if they had to walk.” We were told that of all the things top income earners had in common, the number one thing was that they all attend every conference, no matter what. Our seriousness to our business was also questioned if we could not attend the conference. Needless to say, I packed up my family of six and drove from Tennessee to Dallas. My husband missed three days of work.

While at the conference, we were encouraged to become “a product of the product” and to purchase Nu Skin products whenever possible. They had grand prize drawings you could only be entered into with a \$500 order -- all of which was commissioned to the conference sponsoring upline”.

Daily inspirations and motivational messages are emailed out, meant to encourage, but some with the underlying tone that “failure” is your own fault. The current best-selling book *The Secret* is heavily encouraged and talked about. It was implied or stated in emails, that the reason I was not succeeding was that I did not “expect” to succeed. The teaching of *the Secret* says that the Universe will give you what you expect to receive. Therefore, if I was not getting recruits, it was because of my thinking and not my work.

The one thing I was coached on the first few weeks was the “Power of Four” model, which stated that if I signed up four recruits and helped them each sign up four recruits that I would earn over \$15,000 within my first three months. This became my goal, which they taught me to envision.

It is now August and almost a full six months later, after hundreds of hours of work making thousands of calls and contacts, I have been able to sign up only one recruit who quit the first month, and I have received approximately \$400 in commissions. *Thanks to this Nu Skin scam, I now have a debt of “OPM” (your OPM) totaling \$15,456.97!*

That is not at all what the “Power of Four” model showed! That is NOT what I signed up for. I have a young family that this company has preyed on by using unethical methods. Your company has distributors playing on peoples’ emotions and is causing great harm to families around the world. What you have with Nu Skin are a few people at the top making millions of dollars at the expense of middle and lower income people who are defrauded of their funds through one deception after another. There is a form of emotional abuse of distributors going on that is not only causing emotional pain, and family turmoil, but is causing financial ruin to many. What you have no matter how your attorneys word it is a pyramid scheme!

Now I have to wonder as well about the supposed successful uplines like mine. Are they actually even able to retire? If they are making such great residual income and are now millionaires, then why do they continue to recruit? It is surely not out of the goodness of their hearts, as they would

have their downline believe. . . I did not plan to fail and I will not fail! I will not let your monster company ruin my family relationships or business-es by adding this unnecessary debt to my family. . . ***This type of scam needs to be exposed more fully to protect the public. . . .***

Seriously,

Scammed by PhotoMax (Div. of Nu Skin)

Son gives up college for MLM

OMG, Dr. Taylor, *your research is incredible and a direct hit.* I'm trying but this cult is getting stronger as our economic down turn continues to plague us however we survived harder times. . . It is sad in this case because this family will pull their son from his sophomore year at University of San Francisco to work full time in this cult. I escorted my family members to this conference and felt like it was a version of the Jonestown revival act episode II. You are our hero!

Kind regards from California

Karen

I really appreciate what you have here! I googled NuSkin and I am so glad I found your research and nearly endless information. I recently completed an online form with Nuskin and they are calling me daily to sign up. I have been selling insurance for 22 years and very new to making money online. I have been learning daily since February. I have learned nearly forty years of history in one hour from your website. I have also been talking with the Numis Network and it appears to me all the money making is in recruiting. I tried the MLM Evaluation quiz and they failed. What got me con-cerned was not making my millions by selling an actual product or service, even though they offer one, the real money making was recruiting.

Your website makes perfect sense and more people need to know about it. I really truly appreciate your work here. You have saved me money and more importantly time.

Sincerely,

Charles Lampley

**The truth about these scams needs to be presented as an antidote for the lies of illusive riches which only appeal to ones baser nature. I feel these scams harm financially, relationally and morally to individuals and society as a whole. It seems the cancer is growing and spreading to developing world which can ill afford to slow their economic progress.
- friend of MLM recruit-turned-zombie**

Feedback from around the world

Be forewarned if you live in the Alabama or Tennessee area of the USA:

I recently contacted a supposed company called income@home.com due to a local radio ad that was very convincing. The ad was on the radio show Rick and Bubba and because of my familiarity with the show and their good morals I was caught off guard. I went to income@home.com and filled out some contact info and was immediately contacted that afternoon.

This person soon became my business mentor and I was in contact with her a minimum of 2 times daily. I became suspicious after I received my business training packet and the information was vague and had a lot of rah rah success stories. It presented everyone as happy with lots of free time and luxury cars etc.....

I pressed my mentor for more concrete information about the company that turned out to be Herbalife not income@home.com. Information was promised, but I would have to continue with the steps laid out for me to become successful in this supposed great opportunity. They put you on a fast plan to get you involved with little knowledge about what you will be doing. I was asked to set up a new checking account for my business along with a separate land line for the business less than a week after contacting them. When I refused and said I needed more info before going ahead with the plan I was told that "my steps had been laid out like a map and that I must follow them in order to be a success"

I felt something was wrong. If this was such a great thing why could I not be given all the info I wanted up front? I was told I would know all in due time, but I must continue to follow the plan. In less than a weeks time they had me set up with a website called a retail mall site and also my own personal website. It was very convincing in the beginning. Luckily I smelled a rat and did not get the business phone or checking account. In less than one week I was in for more than \$200.00 with my training packet and of course the

product that I needed to use in order to build my success story. I'm supposed to get a refund, we'll see how that goes. What an absolute scam!

Thank you for all of your research and info. I wish I had found this website before getting involved with Herbalife.

Sincerely,
Mark B., Tennessee

Follow-up letter.: I'm located in Tennessee, USA. **The ads are being run on Alabama radio and also Fox news is running the same ads.** Thanks for getting back with me. Keep up the good work, Mark

Canadian man finds our research helpful in guiding a woman from MLM:

Hello Jon.

I would like to share this story with you. In February of this year a lady stopped by my office; a fellow I know recommended she talk to me. She was considering joining WFG in Calgary, Her cousin had taken her to an opportunity meeting and she was very excited, the WFG mission statement "No Family Left Behind" really struck a nerve she told me.

By the time our conversation was finished she decided WFG was not for her and although saddened and disappointed, happy for the insight(sic) I had provided. I gave her few web sites to review and access – more info on MLM, pyramids, etc.

Further on in our discussion she did say her relative was not pleased with her decision not to join WFG [and] has not spoken to her since. However she herself felt relieved.

To make a long story short, I would not have been able to help this lady or the few others I am aware of had it not been for the research material on MLM scams, that you and Robert Fitzpatrick and other caring citizens have provided.

Thank you and keep up the good work,
Ed Rooney, Canada

Another person in Canada is reminded of why he avoids MLM:

Thank you for an excellent site. A relative has just joined yet another MLM (ACN) here in Canada and I wanted to remind myself why I should stay away from it. I'm certain you are saving many people hardship and heartache with your information. Keep up the good work!

Martin R.

Egyptian at German University sees MLM as epidemic disease that threatens his third world country

I am Egyptian living in Cairo and working, as appears in my signature, in the German University in Cairo.

The spreading of the network of that MLM spider at my university terrifies me. Actually, this industry CHANGES people. My friends have changed! They act weirdly and treat me as a "customer". In addition, some of my colleagues, who are supposed to be researchers, left research and now active for MLM!

Now, to be honest, I am being their opponent. **I am trying hard to stop that epidemic disease that threatens our community; especially that I am in a third-world country where people tend to be lazy and unproductive.**

Thanks a lot for your time and support.
Mohammad A., Egypt

Swiss financial advisor warns friends and family in Spain against MLM

[Your web site] has been extremely helpful as I am Spanish and live in Switzerland and was never aware that such schemes were actually legal. I have been approached by an excolleague in Spain to join the so called FANTASTIC opportunity offered by Agel because they are opening up their Swiss branch and at the same time my brother in Spain got contacted through colleagues. It took me 5 minutes to look at their website, see their recruitment video to understand it is all a scam. I am a financial investment advisor working in the financial industry now for over 7 years with a long experience in marketing-sales jobs (I

worked 5 years at Goldman Sachs) so it wasn't difficult for me to see that it is a scam.

That said, **I am shocked the regulators in the US are so bland on these types of schemes** and I believe I had never heard of any of them in Europe until now. All your research has been extremely insightful and hopefully helpful (time will tell). I have forward it on to my whole family and network of friends in Spain and asked them to forward it on as well. By far the best part for me are the 28 points to discern whether it is a legitimate marketing effort or a pyramid scheme. I have had a bit of trouble to find the list of recognised schemes though. Is there any official website from a regulatory body in the US that makes such announcements?

- Rosa M., Switzerland

Woman in London finds Nu Skin recruitment methods deceptive:

Thank you so much for the information about mlm on your website.

Nu Skin are currently putting ads onto London Craigslist, an online job forum in London, England. I sent an application and was invited to a 50-minute or so telephone call with a lady in France called Clemence, another lady from Strasbourg and a man called John who claimed to have been with Nu Skin since 15 years.

I had originally thought that they were looking for a distributor to get them into big department stores.

I checked the Nu Skin website and saw that the prices are very high. I could not understand how it would be possible to sell the products with a profit. I was amazed to hear from John that he had recruited thousands and thousands of people.

They put real pressure on me during the call and wanted me to sign up as a distributor either for 85 Euros (one-time fee) or 45 Euros (monthly recurring business). It made me suspicious that they insisted on this as the ad said no capital outlay. I was also not interested in trying their product as I use my standard products which are cheaper.

Then I came across your article, thank you very much for your website. Before I

came to your website, I was on another mlm website

<http://mlmtuition.com/kwcp/success/3837/200570>, the MLM mastermind system.

I was suspicious when John told me that people in Hungary are making \$20,000 a month with their products. What is worrying is, that they are placing their ads on jobsites in European countries now.

Thanks again for your website,
Renata L.

Woman wishes she could put an end to MLM deception in South Africa:

I have been reading some interesting information on MLM. I cannot believe, looking back at it now that I fell so hard for MLM (Nu Skin) to be specific. I wish I could expose what is happening here in South Africa as to put an end to the deception but I guess that would be a waste of time since people still believe what they want to believe - and they would much rather believe that MLM is a legitimate opportunity

Anyway, it made me feel better to read your stuff
Kind regards
Lerina

For 31 years, now, I have prepared tax returns for clients, some of whom, try to recruit me into their "great once-in-a-lifetime" business opportunity. At first, my reaction was to be gentle and friendly. Now, when one of my clients tells me he is doing so well, I am bold to say, "C'mon, John... I am the one who does your tax returns, every year!" I have never seen a client profit from one of those "low ticket," product-based, recruiting MLMs!

- Phil F., CPA

Insights of professionals

From a licensed private investigator:

SUBJECT: You guys rock!!

ATTN: Jon and CAI editors, investigators and consultants,

I can't tell you how useful your site is. Thank you so much for proving that ethics, moral standards and common sense are not lost. I have a friend who gets involved with the newest MLM every time a recruiter asks him to come to a meeting. It has become such an issue that it has affected our friendship. I will refer to your website often to counter the nonsense and unethical behavior that traps people like my friend. I commend and thank you for your efforts in helping people who truly are victims of this economic cancer.

I am a local (part time) licensed private investigator (with another regular full-time job) that would love to help you in any way I can and if I have the time. (My time would be free of charge) Please let me know if there is anything I can do to help further your cause. **I will do anything to help the public see these for what they are, because in one way or another they affect all of us.**

Sincerely,
Jake A.

When I wrote Jake to thank him. I explained that my advocacy is all voluntary and that it is heartening to receive such a letter to counter all the deceptions I hear and hate mail that comes my way. He responded as follows:

"You're a good man and the only reason anyone could possibly use to justify sending you hate mail is ignorance. I think a lot of people are playing for the wrong team and just don't know it yet."

"You're a good man and the only reason anyone could possibly use to justify sending you hate mail is ignorance. I think a lot of people are playing for the wrong team and just don't know it yet."

**Doctor warned against MLM product.
And it's OK to work at a job for money:**

Hi, i was doing research about mlm's and found Your site, it was very helpful, The new item is "maxgxl" offering kind of a wonder drug, well supplement. My wife has medical history and thinking this might help her I did research and took the product to her doctor before she even tried it. The doctor said it can cause her kidney damage and maybe failure, so I am not doing this.

I was asked to join and I told them if this helped my wife I could sell the product but I was told to take the product myself and wait on her, then join and get people under me - thats all I needed to do.

I was thinking this could actually help people and to be honest never really heard of mlm but yes i have heard of the pyramid schemes. Anyways thank you for making things understandable for people that don't know too much about these programs.

[Instead of MLM,] hard work and lots of patience is usually what earns the good old American dollar.

Thank you
Ron D.

Attorney mom finds web site (mlm-thetruth.com) helpful in debunking deceptions

I found your website and all of it's information extremely compelling and useful, thank you for it. Here is my dilemma, I hope that you can take a moment to respond.

I am an inactive attorney in California, currently staying at home to raise my 15 month old son (I also have a first grader). I received a call from a friend (also an attorney) telling me about this great "business opportunity" and after speaking with her I agreed to attend a PBR (personal business reception) about this wonderful new deal.

It sounded good of course, but light bulbs went off in my head for various reasons so I stalled my friend (I'll call her "Donna") and told her that I would think about it and get back to her.

Needless to say I did some further

research, found your website (and others) and realized what a huge scam ACN (and others like it) really is. Here's my issue: I really like Donna, she is about 10 years younger than me and I knew her when she was still a law student. She is now a public defender (as I was when I first graduated from law school) and is pushing ACN. She learned of the business from her boyfriend (now her fiance) and even got her mother involved in the "business". She's very into it because she wants to have a family one day and stay home to raise her children but her law school debt is over \$100,00.00, etc ect. and this looks like the perfect vehicle. You get the picture.

I think what pulls the wool over people's eyes with ACN is that they are not selling products (the lotions and potions you describe) but claim to be offering for sale something people use every day, the service on their phones (mobile and landlines) and of course the right to become a representative to sell the service to others. So it seems distinct from an Amway or an Herbalife because people do pay for mobile (and cable and internet) every month, so why not sign them up with ACN and watch the dollars just roll in?

Donna just called me the other day, and asked if I would at least sign up for a service if I did not want to become an "ACN representative". I intend to put in writing exactly why I am not interested but would like to know how can I best refute the claims that ACN specifically makes.

I know that I should just tell her no in conversation and move on but as a fellow lawyer and because she is someone I really care about, I feel compelled to make a strong case to help her understand what a mistake she is making. I shudder at all the social capital she is expending, never mind all the money she's already invested in seminars and trips to conferences (I attended one in Modesto CA and was surprised at how many people were involved!). Of course I will tell her about your website, the Merchants of Deception book and the fact that ACN was barred from "selling" electricity in California in the mid 90's but anything else that you may have on ACN would be greatly appreciated.

Jon, Donna and I are both Latino and we speak Spanish and she keeps talking about how ACN is going to open up in Mexico etc. and I just cringe when I think of all the people who could get taken in by this and by someone speaking to others in their native tongue. It just seems so wrong to scam someone and the fact that we are lawyers which gives us added credibility sends chills up my spine. What really kills me is Donna really BELIEVES. She would never bring her mother (a real estate agent whose business is right where you expect it to be in this economy) or speak with me about this otherwise. She is sincere. We both have always cared about those less fortunate, hence our professional choices.
Vylma O.

Tax accountant never sees clients profit from MLM

I have always found your "Truth about MLM" website to be very informative.

I was first exposed to Amway, by a young recruiter, in the summer of 1977, months after I graduated from the local private university. I turned down the opportunity, then, but the MLM business model has, since then, intrigued me. . . but not in a good way!

For 31 years, now, I have prepared tax returns for clients, some of whom, try to recruit me into their "great once-in-a-lifetime" business opportunity. At first, my reaction was to be gentle and friendly. Now, when one of my clients tells me he is doing so well, I am bold to say, "C'mon, John... I am the one who does your tax returns, every year!" I have never seen a client profit from one of those "low ticket," product-based, recruiting MLMs!

Now, being a resident of California was one thing. Everything changed, in 2006, when I got married, and in January 2007, I relocated to Utah, the MLM

I just cringe when I think of all the people who could get taken in by this and by someone speaking to others in their native tongue. It just seems so wrong to scam someone and the fact that we are lawyers which gives us added credibility sends chills up my spine.

capital of the world! It is unbelievable how many "MLM-Hoppers" there are, out here!

So, though it may be me against the MLM establishment, I published an advisory article online. And, even then, in the last year, two MLM recruiters, who had read my website, tried to recruit me! (Of course, their MLM is different! Yeah, right.)

Phil F., CPA

(Note: For data from other tax professionals, see *Survey of Tax Preparers*.)

Analyst uses web site to debunk the deceptions in one MLM and in MLM as a business model.

Hi Jon –

I found your paper on the internet – the five red flags to identifying product based pyramid schemes. Very informative. I have some friends who are caught up in the Arbonne scheme.

It definitely meets the five red flags and as you said the compensation structure is the key. It has the emphasis on recruiting, you have to pay to play in personal retail volume, there are 6 levels of payout, the "promotions" are based on recruiting rather than by appointment.

The products can supposedly be sold at retail for a higher consultant commission but this is unrealistic because everyone signs up as a non-active consultant for \$29 and can order over the internet at "wholesale". If you want to be "active" you have to do \$100 per month retail volume (\$65 with consultant's discount) and at the bottom commission rung of 4% you have to sell to quite a number of customers to recoup your required minimums – so then the emphasis becomes on recruiting.

To jump to the 8% commission level a \$1,000 in personal retail investment is involved to qualify within a certain time frame – so they have the opportunity to stick you for this more

than once because you buy kits to get

started. They pay on 6 levels – they have a width/depth structure.

I forwarded my friends your paper and tried to get them to understand that what they are involved in is unethical at a minimum...but they just sent me back the published hype – all the typical things you referred to in your paper. I think one of these people got in early enough in the scheme that she may be making some money. These [MLM] companies seem to prey on housewives who don't understand the basics of market supply and demand. They are so naïve that they cannot see the forest for the trees.

Thank you,
Susan S, MBA

Susan wrote later:

Yes, it was an interesting learning experience for me. I had never been approached by something like this. I also didn't remember covering these schemes in any of my course work in my undergrad or MBA marketing classes.

It was the compensation structure that got me suspicious - when I realized that these minimum purchases were involved I started doing a little breakeven analysis and realized how much I'd have to sell at these low commission rates to just make back the money they have you spend as monthly minimums. It really does not become clear until you start to calculate how many people you have to sell to just to break even!

Then it became clear to me that you had to recruit people to make any money. I thought this was very fishy – and so I jumped on the internet and found your article...and then it all really clicked in my brain.

I was reading your article again last night because I found it very interesting. Thank you for responding to my email. I love learning about things like this.
- Susan S., MBA

I will do anything to help the public see these for what they are, because in one way or another they affect all of us.
- Jake A., private investigator

"Oh, you are OK with being a PIMP, but you don't want to be a PROSTITUTE huh?"
- Response to applicant for MLM staff job who didn't want to be a distributor

Insights from MLM insiders

MLM job applicant asked if he preferred being a pimp - or a prostitute!

I worked for Nu Skin enterprises, at the company headquarters for over 10 years. I worked in many departments and had many roles including; commission systems, marketing, competitive research, returns, customer service, account executive, manager and SAP implementation team. I LOVED working for Nu Skin, it was a wonderful work environment!

One day back in 1999 they "downsized." I was hit-up by every MLM around and never joined any, then one day I was reading in the Epistle of James . . . just kidding. Actually I followed some of my supposed friends to other MLM's, one of which was XANGO. I asked for a job but they wouldn't hire me and instead suggested I become a distributor, I said "no" I prefer not to work on the sales side for many of the same reasons you share on your website.

I was speaking to Dr. Pendleton at the time and he said, "What's wrong with being a distributor?" I said it wasn't my thing and he made a statement that really turned me off about ALL MLMs. He said, **"Oh, you are OK with being a PIMP, but you don't want to be a PROSTITUTE huh?"**

I always looked at what I did at Nu Skin as honorable work and employment, but after a twisted statement like that, I find any MLM distasteful and I would like to help in any way I can to "Get the Word Out!"

I am fighting an uphill battle since some of the TOP distributors from Nu Skin and Noni are actually close relative. What direction would you suggest I take with other family members to not get sucked in? It's funny, after ten years in ALL aspects of MLM, I would almost consider myself an

Expert, but when family (in-laws) see the big houses, nice cars and freedom to go and do as they please. . . all my expertise goes out the window. What to do, what to do?

By the way, the DSA has direct sales statistics with graphs and everything but one statistic that I no longer see on their site was what percentage of revenue goes to the company and what percentage goes to actual distributors to pay commissions??? If I recall correctly from seeing it over 5 years ago, over 75% goes to the company and the rest in paying distributors. After dividing the \$17 billion between the 3-400 MLM's, then dividing those numbers by the millions of distributors and taking all of that from only 25% of the \$17 billion, I find it hard to believe ANYONE wouldn't head to Idaho and put all that time and money into Lottery tickets???

Aaron T.

After dividing the \$17 billion between the 3-400 MLM's, then dividing those numbers by the millions of distributors and taking all of that from only 25% of the \$17 billion, I find it hard to believe ANYONE wouldn't head to Idaho and put all that time and money into Lottery tickets???

- Aaron T.

From a former employee who worked in call centers of two MLM companies:

Thanks for your awesome website! I finally quit working at these MLM call centers. I am done forever supporting these terrible businesses. I worked at Nu Skin and Monavie. They both treated me well. But really, it felt like working for the mafia deep down inside and I kept rationalizing it because the pay was good (as a college student).

It is sad when I think about all the people that worked in these call centers that touted it as such a great business. The managers all thought it was the greatest thing and I always wondered how they could be so blind to how many people were falling prey

to the "business." I didn't complain outwardly at work, but I was not a loyal employee on the inside. I despised these companies. The things you have written on your website I have seen every day. Especially the part about self-deception. I really do feel that all of the distributors involved either are corrupt and knew it or just somehow convinced themselves of the legitimacy. Taking a step back it is so easy to see the ethical problems with Nu Skin and Monavie.

Monavie is extremely despicable in my eyes. The juice is absolutely ridiculous. It tastes great but the only claim they can really make is "antioxidant protection." The juice has obscenely high antioxidant protection; more than is needed even.

I have seen so many people on fixed income that are wasting their money on cases of juice. They really will sacrifice other important things because they believe "maybe next month I can earn something" and so they keep buying in. I even saw a few people using their unemployment money on it! There are so many times where I wanted to tell the person on the phone: "You aren't going to make it, please get out!"

The other thing that really gets me is how they cover behind their humanitarian work. Don't get me wrong, I know it is a good thing to help anybody out, and they are doing some good. But around Monavie headquarters, there were pictures of poor Brazilian kids plastered everywhere, and it was just so fake.

Your website helped me a lot in moving forward according to how I felt on the inside, so I wanted to thank you. Thanks for reading!

J. D.

Former MLM insider uses web site as ammunition against "MLM cancer":

I just wanted to let you know how much I appreciate your cut-to-the-chase information about MLM and everything related to it. It has been a continual resource as I am approached often about the next great business opportunity that will make me a

millionaire. I am a web developer and have worked on the inside of a MLM and saw firsthand the continual plot to capitalize on the failure of others. This site has given me ample ammunition against the spread of MLM cancer. Thanks again,
Mick D.

MLMs and pyramid schemes – a distinction without a difference. And an insider reveals the obscene wealth of founders:

First of all, I would like to thank you profusely! With the information from your site, I was able to convince my wife that the "fantastic" Nu Skin opportunity she was about to get involved in was a scam. It shocks me to know all these companies exist and continue to get away with it.

When I asked the rep on the phone yesterday (in a hort/unexpected/initial/sickening call) what was the difference between MLM and pyramid schemes his only answer was that the latter one was illegal. He couldn't counter my argument that conceptually they were the exact same thing. This was BEFORE my research. Thanks to your web-site I will be asking many more probing questions. They will be just to torment him because, as I mentioned, I already convinced my wife of the truth.

Again – My sincere thanks!
Matt E.

P.S. One of the things that I didn't see on your web-site (perhaps it is and I missed it), was the math problem of where is all the money going? For instance, the Nu Skin rep that we talked to said they were a "billion dollar company" which I confirmed per their SEC 10K. However, their web site indicates they have 800,000 distributors. So, if that is the case, each person "sold" \$1250 (\$1 billion/800,000 distributors) on average EACH YEAR. If they each sold that on average, what could they possibly

have made in terms of profit. It just doesn't add up.

You as a reader my find my response interesting:

Matt –

Thank you for your kind words about my site. These little thank messages are my pay for all the years of research put into this – all voluntary. I agree with you that law enforcement is remiss in allowing these scams to continue. Reasons for their negligence include the unwillingness of victims to file complaints. My explanation for the silence of victims of endless chains is outlined in my "Frequently asked questions" – linked from my home page.

So (you asked) where does the money go? It is truly a math problem, which is why I labeled the page "Nu Skin's Naughty Numbers."

If you read that - and the "REPORT OF VIOLATIONS" of the FTC Order for Nu Skin to cease its misrepresentations, you would have a pretty good idea of where the money goes. In a nutshell, the bulk of the money goes to the company founders and officers,

those at or near the top of the endless chain of recruitment, and those who got in at the beginning of the recruitment chain in any given country, etc. So I would estimate that overall, 90% of the payout goes to less than 1% of the

“They can’t be bad people, if they do such good things.” (MLMs donating to charities) To use an appropriate metaphor – If you rob a bank and then give 15% to charity, the bank robbery is OK, right? Sure. [JMT]

head honchos.

To illustrate, a family source (an ex-husband) reported in a confidential interview that one of the founders, Nedra Roney, includes among her holdings at least ten homes:

“I am just guessing, but I have a fairly good idea. The one in Sandy, Utah, worth about 6-7 million, one in Deer Valley; about 4-5 Million. One on Maui or on Oahu: about 3-4 million. On Kauai she has an amazing house worth at least 8 million. We bought also that together like the one in the Trump Intern. Tower, worth now about: 4.5 million. One huge penthouse in the Time Warner

Building, also on Columbus Circle, worth about 36 million. A lot of land in Deer Valley worth at least 5 million. Land in the Oakley is worth anywhere between 10 and 30 million, depending how you handle it. A condo in Park City of about 1 or 2 million, the Oakley Cabin; at least 15 million. A ranch in Oregon: 3-4 million, a farm in Spanish Fork, Utah: 3-4 million. Land in California, my guess is as good anyone's. She owns a lot of stuff I have never seen. My friends have seen the paperwork and it is quite impressive. She also bought and sold a \$17. million condo on 515 Fifth Ave. while I was with her. Do you get the drift...?"

A magazine article reported she also owned a Gulfstream II private jet.

My source (an angry ex-husband, so you can take it for what it's worth) wrote me that she has also gone through a succession of 9 husbands, the last a male stripper.

Her brother, Blake Roney, is reported to be worth at least \$800 million. Other key figures have accumulated tens of millions each.

Of course, these leaders have initiated and donated to humanitarian causes, and they use this to justify their exploitive scheme. And believe it or not, many in the public and the media buy into this thinking. "They can't be bad people, if they do such good things." To use an appropriate metaphor – If you rob a bank and then give 15% to charity, the bank robbery is OK, right? Sure.

And as for the 3+ million distributors (since the company's founding) who have paid to get into this opportunity of a lifetime? According to my calculations, based on Nu Skin's own reports, 99.94% of the company's recruits lose money, after subtracting required purchases and the bare minimum of operating expenses. Less than one in 3,500 distributors ever turns a profit. Perhaps less than one in 20,000 earns the "substantial residual income," also referred to as "permanent income" – that is promised to new recruits who are deceived into investing in this money trap.

BTW, this is not just Nu Skin. I have studied over 300 MLM programs and found a similar pattern with every one for which I

could obtain data. You would be doing friends and family a great favor by using the "Answer cards" on my site to warn them against ALL MLM/chain selling programs. (It refers them to my site for more info).

Impact of MLM on individuals and families

I am researching MLM as I have been approached to sign up for eXfuse – another better health and wealth work@home story. I would like to extend my very grateful thanks to you for giving me the truth about MLM. I could have made an expensive mistake.

God bless you.

Debbie

mlm-thetruth.com frees woman sickened by MLM madness.

from Erica

Everything on your website has been going through my mind in the past month. About 2 months ago I started on my "MLM mission" in Arbonne. I was completely head over heels with the thought of "residual income" just for "sharing" with others how they could make "residual" income. Now I am just sick about the whole thing, especially because a close friend of mine signed up under me.

Every night I would cry just THINKING about having to go talk to people about the "opportunity". I was being forced by the whole MLM thinking to talk to friends I haven't been in touch with and pester them or "drip" on them as my upline told me.

I was continually told by my upline that I was feeling down because I was getting out of my "comfort" zone or because it was building my character... I was more stressed out than I have been in my whole life!!

I had so much money into it that my husband didn't want me to quit. We even had to put MORE money into it at the end of the month so we didn't "lose" our qualification quota. The night I spent

another \$450 on our credit card to keep our "district qualification" I broke out in hives, I have never been allergic to anything in my life, I don't think it was a coincidence.

So, after crying every night for a month and being completely sick about life I have decided to stop the madness! Now I feel like I am FREE! It's amazing, I can talk to people without feeling the weight of "did you talk to them about ARBONNE??" on my shoulder. I can't tell you the relief I feel! I regret that I got my very good friend involved and I am afraid of the rift it may have put in an otherwise great friendship. I am not sure how I ever got talked into this or how anyone stays in it! I appreciate your insight and humor...

Thanks,

Fancy Free!

Web site saved man's mother from disaster. From a business and economic standpoint, MLM is "a business model that makes absolutely no sense."

I am very thankful that this site exists.

I am now 30 years old and I have just sold my first successful (legitimate) business. I have been approached by several friends and families members to join an MLM in the past year. Of course having my own successful business made me a prime target for recruiters.

I was not interested in their schemes because my experience helped me realized that there are much easier ways to make money than in an MLM. I also enjoy the study of economics, and think that peddling goods and services, that can't be sold in stores, to friends is unproductive and potentially harmful to society (but that is a different issue all together). About two months ago, my Mother, who I thought would never want to do anything like participate in an MLM, ended up joining one. I told her I was very skeptical but that if you worked really hard you could probably make a little bit of money.

My business partner, from the business I just sold, recently came to me asking my opinion of "pyramid schemes." I knew

exactly what she was saying. One of her friends was actively trying to recruit her to an MLM. Knowing her personality I told her that she should at least stay away from the business opportunity. We talked about how interesting it was that MLMs were becoming so popular and that nobody really knew anything about them. We also talked about how it would be interesting to do some research and put together a documentary (she is interested in documentary film making) looking at the history and the sociological phenomenon that they represent.

While I was looking for a little bit of information on MLMs, I found your page through Wikipedia. I also read your 44 page paper "The 5 Red Flags: Five Causal and Defining Characteristics of Product-based Pyramid Schemes, or Recruiting MLM's." It didn't take me long to figure out that MLMs were much worse than I had thought. I thought about it from a business and an economic standpoint and I realized that this business model makes absolutely no sense. The questions that I asked myself were: Where is the money coming from? If no one wants to be at the bottom level, won't behavioral patterns sway people away from joining at all?

Anyway, I immediately sent my mother the link to your website. Having experiencing the craziness that is the MLMs industry your website made her realize that she needed to quit immediately before she spent another dime. I cant thank you enough for the information. It may have saved her from disaster. I am going to do what I can to spread the message to others. Best regards,
Noah A.

From a woman whose family for decades has been torn apart by MLMs:

Dear Dr. Taylor,

Thank you so much for providing the truth regarding MLMs. Pyramid schemes have torn my family apart on many different occasions. My dad was involved in Dare to Be Great in the late 60's/early 70's. Now several of my family members are involved in Lifemax. It hurts more than you can

imagine. Seeing everything get taken from us as children and now seeing the potential for it to happen again to my younger sister who has a 10 month old baby.

Perhaps what's worse is knowing so many people who are hurting in this bad economy are desperate and are turning to this. And how the scammers use God and "the chance to help starving people around the world"! It's AWFUL!!!

Just a quick question, I noticed now when I Google "Lifemax and pyramid schemes" that I can no longer find articles about people who've been burned (I know they're out there). Seems that Lifemax has purchased all the key words and used Search Engine Maximization to continue to sell their "lifestyle" and silence the truth. They're deceiving people even more than ever with articles that are disguised as legitimate reviews. So, sadly, people will have a hard time getting the facts. Is there any solution or recourse?

I'm lucky to have found your site. I will keep it in my files for backup when I need it. Best regards,
Paige B.

Woman loses house, divorce money, and \$150,000 participating in 2nd MLM

For just some quick introductory back story of my relationship to MLM, my mother began playing the game with Excel telecommunications when I was about 12 years old. It was more than bizarre. She put 500 dollars on a credit card to buy miniature phone magnets, while I had to be on the free lunch program at school.

But at age 12, it's hard to tell your mom that she's being scammed. And of course I wasn't as equipped to do the research as I am today. Then flash-forward about 10 years, where she divorces and moves in with her mom. For a while she works normal jobs, and seems more happy than I've ever seen her. We all laugh to ourselves in relief that she has dropped the cultish Excel, but don't bring it up, assuming that she herself is embarrassed about her participation.

Then one day she drops all that, and relapses into Xango. When we finally confronted her about MLM, she had already spent all of the money she had gained in the

divorce, lost a house, and went into what we are estimating is around \$150,000 in debt.

I know you're not going to believe this, but in almost every other facet of her life she is an especially rational person, but this one sector has her so brainwashed we don't know what to do.

Being as how you are one of the primary - or at least most visible - specialists on decoded MLM rhetoric and practice, I KNOW that you must get these emails often, so let me also say upfront that I'm not writing to beg you to fly here and deprogram my mom, though we (my brother and I) are desperately attempting to do so.

In all my years of education, I never researched something as intensely - and neurotically - as this company and its mode of operation, mostly because no grade has ever been as important as the mental health and well being of my mother.

In a frantic couple of months, I had compiled my research (beginning with Excel and ending with Xango) into a power point presentation that became our two-day long intervention. It was presented in a way such that I thought this was information she was unaware of, and tread delicately, as I felt like I was about to destroy something she loved.

It seemed to break her emotionally, and when it seemed she was going to quit, she left on vacation, and came back, defiant like I had never seen her before, insistent that we are never allowed to bring up this topic again, and that she would continue to run rampantly into debt along with this magic juice Xango. We are the dream stealers. . .

My brother and I have had the unique experience of borrowing my mother's DVD's and training materials provided by this company, and we noticed some peculiar things, one of which is the introductory DVD they give you when you sign up. On the DVD menu, there are 4 videos to choose from. When you play all, it plays the first 3, each of which are maybe 5 minutes long. The first two are essentially the regular MLM hype with limos and yachts, and then the 3rd one basically a commercial for training material for you to buy. And then oddly enough...it just turns off. That's right, the DVD TURNS OFF.

But wait, wasn't there a 4th video? So you go back, turn it on, and scroll down to the 4th video and press play, and it's about an hour-long video giving you the legal side of what can and can't be done in MLM, what health claims can and can't be made etc. - basically the part of the video their lawyer made them put in.

We made my mom watch it, because she admitted she never had, and it absolutely decimates the way this business is conducted. I mean, there is NO WAY any of these reps have actually watched or abide by this section of the video - not that that's new to you... but it made me wonder if that becomes a legal issue, deliberately hiding that sort of thing.

You might not also be aware of the family ties within this company. For instance, Joe Morton and Gordon Morton are both executive vice presidents. Oddly enough their brother David Morton, is who they often cite scientifically and consider the "foremost authority on the mangosteen fruit". He insists that he doesn't sell Xango or the mangosteen, though it hardly matters with the never mentioned but obvious family ties.

Even worse, the "Doctor" they cite even more often is J. Frederic Templeman. They even sell DVD's of David Morton and Dr Templeman interviewing each other in this obviously scripted dialog hyperbolically praising the juice. But what I was absolutely shocked to find is that Dr. Templeman is David Morton's FATHER-IN-LAW. (I was first told this from someone, and confirmed it after finding David Morton's wife's Facebook page). It's insane, to watch these videos again where they are introduced as if they only know each other from the respected field of mangosteen research.

Then I used the website "archive.org" to go back in time and see what changes had been made to Dr. Templeman's website over the years of its development. He has a Question-and-answer section, where interestingly, he changes over and over one question:

Q. Mangosteen is bull crap. How much did they pay you for to promote it?

A.2003: in answer to your question about how much I am paid to promote this fruit - the answer is Nothing.

2004: I receive revenues from the sales of my books, but I am not a distributor of a mangosteen product, nor an employee of any company producing mangosteen supplements.

2005: by 2005, this question was removed entirely.

I also used the site "Opensecrets.org" to track their political contributions, and unsurprisingly they are the largest contributor to Senator Orin Hatch, and gave boatloads of other money exclusively to Mormon politicians (Mitt Romney, Bob Bennet, Mike Simpson). Additionally, there was \$30,000 lobbying for the food and beverage industry - though I have no idea if this is standard for beverage companies to do.

Finally, most shockingly, I found this: http://rs.xango.com/downloads/xango4.0/2007_income_statement.pdf

Please take a look at that, I came across it by reading through the Xango legal contract, which talks about how it is illegal to inflate the average earnings one makes. But please tell me, am I reading this right? Is this really an official Xango document stating that about 97% of its reps make less than \$2,000 a year? I mean, that's what I expected, but is this the smoking gun?

And one final question, If I were to find myself going up against this company in any public forum - say I make and widely distribute a YouTube video detailing these findings, should I expect them to be more scared of me, or is this like speaking against Scientology, where the army of lawyers come and destroy your life? I'm only asking because it feels to me no less cult-like.

If any of this is helpful then I am glad to offer it, and if there is any complimentary information you have learned, I would love to know about it. Either way my sincerest appreciation for your dedication and your time,

-Richard

mlm-thetruth.com reveals deceptions and other problems typical of MLM

5 Red Flags best detection method for MLM fraud:

In 40 yrs. of studying MLM fraud I have not found a better detection method than the 5 red flags found at – mlm-thetruth.com
Frank Thomas

Man thanks mlm-thetruth for keeping money in his bank account

First off, let me say that your **site is an absolute wealth of knowledge on MLMs, and is what started to make me question a recent proposal that sounds a little too good to be true.** [After reading some of your reports], I went back and listened to the compensation plan again on UCI's webinar. They specifically state that selling the energy alone is a waste of time, that you need a "team" to get the most out of the program. I am officially dis-interested now. **Thank you very much for . . . your vast, knowledgeable website, and the money you kept in my bank account, both long term and short term. I will definitely take a long at your 1,357 ways to make more money [than MLM] list.**
Dan M.

Unmasking MLM deceptions via mlm-thetruth.com

Thank you so much for all your hard work in "Un-masking" the truth about these scams!!!

I almost got involved with Fortune High Tech Marketing because of a friend. Wow!!! You hit it right on the head. Your "Typical Misrepresentations Used In MLM Recruitment" put it to rest for me. THEY ALL FOLLOW THE SAME UN-GODLY LIES. Just to make money off the reps. It's a numbers game. The more people under

you, the more people get ripped off to pay you!

I wish the Federal Government would put a stop to these people! Or at least the "Federal Trade Commission".

- John T. (not Jon Taylor)

MBA grad sucked into 3rd MLM in seven years, sinks into depression

My son lives in California, has an MBA and has been involved in network marketing for about seven years. At one point he had a six-figure income and thought the sky was the limit (Cyberwize). When his upline decided to change network marketing companies due to a disagreement and pending lawsuit, my son followed with financially unfortunate results.

Now he and the same upline are in a third company. My wife and I have been pretty much supporting him for the past nine months. He keeps thinking that he will experience a 'break-through' and be on top again, but he seems very depressed some of the time. We are very worried about him.

Do you know of anyone who might help him to see the reality of the MLM lie? I have tried to reason with him, asking him to discuss his situation with a job counselor on several occasions and offering to pay for the counseling. No luck. It seems to me that MLM is very much like a religious cult and that victims like my son will require deprogramming by a professional. I'm sure he won't listen to me and has a pretty closed mind at this point.

MLM con men

I do appreciate your website since finding it last week. There are many con men out there and you seem a prominent force against them.
Mike S.

Woman bombarded by friends wanting to practice presentations on her.

Thank you for this site. I like how organized it is and not full of ads and other bogus marketing. I have seen enough of that.

I hope this site can help my friends. I have been bombarded with Primerica and Agel bull crap, and I have been sending this link to my friends who are trying to "practice their presentations" on me.

God Bless,
Stephanie B.

Prospect at MLM meeting did not feel good vibe about the MLM hype:

Dr. Taylor,

You offer outstanding insight on MLM's. I recently had been invited to attend a meeting on Fortune Hi Tech Marketing. I went and listened. I didn't feel a good vibe about what they were telling me, so I did some research and found your website. I found it very informative and interesting. I made the conclusion not to join FHTM. . . It appears that the "pay for play" aspect is very much involved in this MLM.
Tim W.

MLM obfuscation compared to Big Blue (IBM):

In the brief time that I have been "communicating" with a bevy of "Coaches" at Nu Skin, making the obligatory cold calls, listening to the various audio programs that are supposed to "inspire" me to "Blue Diamond" status, I can only say that if my very brief experience could be made into a movie, it would be titled, "Willey Wonka and the Kool-Aid Factory".

Rarely are the products ever mentioned and as far as the Coaches providing me with any type of Standard Operating Procedure (Manual or online version), the total lack of this kind of important resource reminds me of what once was said about how IBM or Big Blue used to indoctrinate and "groom" their executives like they were

mushrooms, or in plain English, "KEEP THEM IN THE DARK AND FEED THEM BULLSHIT". I hope that your website [is seen by many MLM prospects] and thanks for your work on behalf of all of "US".
Lee H.

Time to start a real business:

Thank you for your website. It opened my eyes to a lot of things! I am very young lady but had about 30 jobs in my life and scammers just love to take my money...

Its time to start my own business (not MLM). Thank you for ideas! ("[1,357 Ways to Make More Money than in MLM](#)")
Best wishes,
Irena G.

Red Flags go up when a skin care line is promoted with typical MLM hype:

I personally would like to thank you for shedding light on MLM schemes. I read through your entire article, as I was suspicious of the "business opportunity" I had just become aware of through my friend, who invited me to a meeting earlier in the week, and today to an event with a motivational speaker.

Right now I'm between jobs and decided to investigate this company she's been telling me about, as I've always been interested in health and beauty for women and saw this as an opportunity to perhaps generate some extra income.

My BS radar is pretty high and a couple of things said today and earlier in the week bothered me - when the speaker mentioned he "was doing it all for the glory of the Lord." Please, this is the Bible belt but that doesn't legitimize any business venture for me. Instead it raises a question of hypocrisy and doubt in my mind. I don't like when people use the "Lord" as some kind of tool to convince me of their sincerity. Frankly, it convinces me otherwise.

Also, when much of what is discussed is "how much you can make" - that bothers me too. Also, saying that "You owe it to your children" - using an emotional tug - that didn't sit well with me, either.

The product was barely discussed - the

potential to change women's lives by using it – and if this product was created by women and is all about women, why were so few women actually speaking? And the ones that did speak of, I wasn't very impressed with, as I've been in sales myself for awhile and am a pretty impressive speaker myself, so it takes a lot to get my notice. With all that said, I decided to come home and do a bit more research on the topic and I was glad to find your website. Now I want to discourage everyone I met - to not get involved with this venture!

I wish the Federal Government would put a stop to these people! Or at least the "Federal Trade Commission".
- John T.

The ladies who invented Proactiv - skin regimen for acne - (Drs. Rodan and Fields) have now developed a skin care line. This legitimizes the product. Their products were previously in high-end department stores but the doctors decided to take it direct market - "in order to help women succeed." I found that all of your red flags were waving, from what I understand of the program thus far. The "consultants" have spoken very little of direct selling to the consumer, and very much of developing your downline in order to generate the high incomes.

Much was made of the fact that "we were getting in on the ground floor" and what a big opportunity this was. Frankly, I want to see facts and figures, and am not impressed by hype. We were told that we would be the millionaires, as this would be very, very big and since it was so new, whoever got in first would benefit the most. We were told that the product line was backed by beauty giant Estee Lauder. The product was further legitimized by Drs. Rodan and Fields, who had already found much success with Proactiv, so brand-name recognition was already in place.

I almost got involved with Fortune High Tech Marketing because of a friend. Wow!!! You hit it right on the head. Your "Typical Misrepresentations Used In MLM Recruitment" put it to rest for me. THEY ALL FOLLOW THE SAME UN-GODLY LIES. Just to make money off the reps. It's a numbers game. The more people under you, the more people get ripped off to pay you!
- John T.

Thanks again for the information presented on your website; I also ran the scheme by my business mentor and he felt the same way about it that I did. He

said - "Tell your friend, that you had heard of millionaires birthed by opportunities like this, but had never actually met one. Say - I am probably passing by the chance of a lifetime, but when you get rich off this, come and talk to me - I'd like to hear more about it." So I guess that's what I'm going to tell her, basically.

Best regards,

Diana C.

MLM version of chasing easy wealth seems immoral

John I just wanted to thank you for your website and info. I have been out of work for a short while and an mlm recruiter came to our house. Out of desperation I chose to sign up. That night I got a bad feeling about this, just to good to be true. The recruiter happened to be a member of the church so I tried to suppress my feelings and go through with this or at least give it a shot.

My wife and I attended a meeting where there was all sorts of people overly excited to be chasing easy wealth. These people seemed fake almost rehearsed. Then a million dollar earner who got up to speak, who was also a member of the church began talking about education and how it really doesn't matter if you have an education

any more.

Then I thought to myself, I remember a church leader speaking to the church about how important it is to get an education. I told

my wife, anything that would detract from what church leaders had said has to be bad.

Then I found your site, and the red flags were there. I told the recruiter that I wanted no part of this and that I didn't feel like getting rich at the expense of losing my family and friends and that I felt that MLM just isn't the moral thing to do.

The recruiter then told me that the million dollar earners that had spoke at the meeting were good church members, but I felt that just because it is not illegal does not make it ok or a moral thing to do. I could have lost more than 99 bucks thanks to your info. I will take this as a lesson learned.

- Michael R.

MLM scams harm individuals and society financially, relationally, and morally

Recently a close friend of mine got involved with ACN with her grown son and husband. She has turned into a brainwashed zombie and because I'm less than enthusiastic about it (I haven't said anything disparaging, though) our relationship is slowly waning. She's bought into it hook, line and sinker. It seems that at this point she would just rebuff my critical analysis. It has spurred me to do a lot of research, however, and I'm indignant to see it has become a global phenomenon to the detriment of all.

Thank you so much for hosting this website. **The truth about these scams needs to be presented as an antidote for the lies of illusive riches which only appeal to ones baser nature. I feel these scams harm financially, relationally and morally to individuals and society as a whole. It seems the cancer is growing and spreading to developing world which can ill afford to slow their economic progress.**
Thank you

Critics of mlm-thetruth.com

Not everyone is pleased with this web site, as the following attests:

Dude you are a complete hipocrit. Get a life. 99.9% jajajajaja. Way to over react. On top of that, u have created 40, of these so called scams, nice job you ass

- Unnamed

[Unnamed is likely referring to Jon Taylor's having been involved in 40 business startups before getting into MLM. However, all were legitimate, and none were MLM.]

RE: Get a job, Taylor

You are so out of wack with your so called "experts" and research that you should be held liable for the crap information you peddle. You are so mis-informed about what you spread over the Internet! God, you need to get a life.

Business Millions

Blah blah blah...Jon, you and I both know that the only people who don't make any money in Network Marketing are the ones who don't do anything! The failure rate is no different for Real Estate agents, life insurance sales, any profession that you are an "independent contractor". It's simple, we were never programmed to work for ourselves, people just don't want it bad enough. . .

Network marketing is easy, the more you show the more you make...period. Product does not have feet, you need to share product, share the opportunity and not care who say's yes or no. It's not about the answer, it's about the process!
Man I wish somebody would lay the blame where it needs to be!

John

I THINK YOU ARE A LAZY MYOPIC LOSER! PEOPLE DO NOT MAKE MONEY FROM MULTI-LEVEL-MARKETING IF THEY FAIL TO BUILD A FORMIDABLE ORGANIZATION JUST AS YOU WILL NOT MAKE MONEY FROM A PRINTING FRANCHISE IF YOU FAIL TO ACQUIRE CUSTOMERS.

IF ANY MLM BUSINESS PROMISES YOU A GET-RICH QUICK FORMULA IT IS A SCAM, BUT MLM ORGANIZATIONS LIKE AMWAY, ACN, AVON ETC DEMAND HARDWORK AND PERSISTENCE FROM THEIR REPS IF SUCCESS IS TO BE ACHIEVED. IF A REP FAILS TO DO THE RIGHT THING, HE/SHE WILL NOT GET RICH JUST BECAUSE HE HAS ENROLLED IN A MULTI-LEVEL-MARKETING ORGANIZATION.

ACN AS A MATTER OF FACT IS THE BEST BUSINESS MODEL IN EXISTENCE AT THIS POINT IN TIME, IT DOES NOT MATTER IF LOSERS LIKE YOU SEE IT OR NOT.

I HAVE FRIENDS WHO HAVE BUILT UP ENVIABLE FINANCIAL FREEDOM FOR THEIR FAMILY THROUGH ACN, SO IT IS SAD THAT YOU GO ON CRITICIZING WHAT YOU HAVE NOT EXPERIENCED SIMPLY BECAUSE YOU HAVE TALKED TO PEOPLE WHO ENROLLED IN ACN WITH WRONG PERCEPTIONS AND FAILED TO FOLLOW THE RECIPE AND THEREFORE FAILED TO ACHIEVE ANY RESULTS. WHY DON'T YOU TALK TO THOSE WHO HAVE CHANGED THEIR FINANCIAL FUTURE THROUGH MLM BUSINESS MODELS AS WELL? I BET YOU THERE THOUSANDS OF THEM AROUND THE WORLD. I LIVE AND INTERACT WITH SOME OF THEM.

IT IS AMAZING HOW LOSERS LIKE TO CONGREGATE TOGETHER AND SEEK ATTENTION FROM PEOPLE IN ORDER TO HIDE THEIR INEFFECTIVENESS AND LACK OF PERSISTENCE.

MY CHALLENGE TO YOU IS TO ENROLL AS AN ACN REP, FOLLOW ALL THE

RECIPE THE COMPANY HAS PUT IN PLACE, AND ENDEAVOR TO BE COACHABLE, IF YOU DO ALL THESE THINGS AND ARE ABLE TO BUILD UP A LARGE ORGANIZATION OF REPS AND CUSTOMERS BETWEEN 2 - 5 YEARS, AND YOU FAIL TO BECOME FINANCIALLY FREE, THEN GO AHEAD AND CONDEMN THE COMPANY; NOBODY WILL BLAME YOU.

OTHER THAN THIS, JUST SHUT UP AND GET A LIFE!
JERRY O.

Great job of destroying the dreams of thousands of people.. Yes there are problems with some MLM companies however the numbers you quote just don't add up..billions of dollars in sales by direct marketers sort of tells the tale.. In addition, why don't you attack Wal-Mart..they have hundreds of stores that hardly pay a decent living and make millions of dollars off of people..there is a Sears outlet store in about every small community..of course all those independent gas station operators that thought they were going to make it big and went broke tryin to.. You have some type of income that depends on the efforts of others unless you farm and then someone has to get paid for the seed they sold you.. The point is..most MLM companies simply offer an opportunity to be more in control of your financial future via a REAL business..some make it..some do not..most come into the business thinking that they are going to get rich in a few months and fail..either because they did not work the business or they did not work and probably fail at most of what they have tried in the past.. What you do is throw water on the hope of some people because they think you are a doctor and know what you are talking about.. I DON'T!!
Robert B.

You have too much time on your hands. I found most of your information to be inaccurate. You need to talk to Donald Trump or Robert Kyiosaki or anyone who actually has had business success. You clearly have no idea what you are talking about. I would invite you to take a true look at a more upscale, growing and successful company and see if all those points apply--you'll find that they don't.

Donna W.

I am just amazed that such an article would attempt to be out there after many years of MLM winning the battle initially fought by the granddaddy of MLM, Amway over 60 years ago. Maybe someone should explore what this industry has done for hundreds of thousands of people worldwide and thus making families more focused and together. There is nothing illegal or a scheme with MLM. Read the next billion dollar trend to see the trends and get your records straight and begin educating people the right way.

Rosa S.

RE: Loved your site!

You know, you seem to be a pretty smart guy...but don't you have better things to do with your time?

Do you know why most network marketing company's fail people? It's because people don't work...they are lazy!!!

Paul

One of the unfortunate things that your site doesn't take into account is that there are few if any small businesses that make any kind of profit within the first 5 years. The only real opportunity for regular people to start their own business is in network marketing. A legitimate networking company will allow someone to start a business for less than a hundred dollars, when a typical small business takes more than a hundred thousand. And yes, most of not all of the money made should go back

into the business in order to continue making money, but this is true of all small businesses for the first several years.

Marissa D.

[NOTE: Marissa should read some of the statistics from the Small Business Administration and other agencies that help with small business startups. Based on reliable statistics, all four of the above four sentences are false.]

RE: Your website is bul-sh...!!

This website should called mlm-thelie. There may be some truths in there but the idea of the website is completely wrong. I would suggest you to evaluate more network marketing companies. And I mean "network marketing companies". Don't put network marketing and mlm together. That is just bull.

Now put that in your testimonial page!

Hung T.

Can you help me?

hello, uhm, how sure are you that what you presented is true? i know people that are rich from mlm, how can you say such things?

do you know why most people fail? because they didn't do this right. why are you so negative? because you couldn't do what some people can do? not everyone can succeed, but there are +2000 blue diamonds. please explain to me why... i just don't get it...

Sydney T.

RE: MLM IS THE BEST BUSINESS!

I am writing to you because I am going to prove you WRONG! You obviously are to incompetent to understand what a MLM is. I became a wellness consultant for Nikken back in the beginning of June and this was a life changing decision I have ever made! I received a \$2,100 commission check the next month my commission check was

\$3,200!! I am continually earning a large income and it was because I joined the most amazing MLMs ever!! The people who just start out in a MLM can be very successfull!! If this was a pyramid scheme I would not be making this much money!!! MLMS are the most rewarding business opportunity!!!! I will speak this truth to the very end of my life!!!

David R.

Nikken Wellness Consultant

My response to "Nikken Wellness Consultant":

David –

If a business is legitimate, one will be able to report profits on their income taxes.

Please write me back in a year and tell me what you reported as net profits from your MLM.

JMT

NOTE: David did not write back, and did not respond to a follow-up inquiry two years later.

Your an idiot! You are ignorant! A website dedicate to that! Get a life!

Kelly L.