

PETITION TO PREVENT MULTILEVEL MARKETING COMPANIES FROM OPERATING AS PYRAMID SCHEMES

We, the undersigned, petition the U.S. Federal Trade Commission to immediately adopt and enforce a rule that requires all multilevel marketing companies to disclose full and truthful “income opportunity” information to all persons solicited to participate in the income program. We further request that this rule require that actual disclosure be made in writing and in a form that can be independently audited by proper authorities and made available as a public record. The reasons for this request are as follows:

- All multilevel distribution programs that advertise “unlimited income opportunity” or “opportunity of a lifetime” are suspect because, in reality, only a tiny percentage of MLM recruits earn even a small profit. It is therefore inherently deceptive unless full and accurate disclosure of probable net earnings is furnished to anyone solicited to participate.
- The multilevel marketing program is a solicitation to invest in a business. This investment may involve commitments of months or years of time, substantial financial expenditures, and may affect career or job changes. Promises of “permanent income,” “residual income,” or even “part-time income” should not be permitted unless adequate documentation of such net income (after subtracting product purchases and operating expenses) over an extended period of time can be verified.
- Like shares of stock, the value of an MLM distributorship will depend upon the future labors and investments of many others over which prospective investor has no control or influence.
- MLM distributors should have access to full and truthful information about the income opportunity before being asked to make any commitment.

We therefore petition that all multilevel marketing companies be required to disclose in a clear and understandable format (such as easily interpreted percentile columns)—separate from all other materials furnished to prospective distributors:

1. The total number of distributors involved in the company for at least for three years (or since founding of the company if less than three years).
2. The number of terminations and the number of new recruits for the past three years.
3. The net increase (new ones less those who drop out) in the number of distributors in the various ranks of the upline as a percent of all who have been distributors for three years
4. The average incomes of all distributors who have signed up for a distributorship by percentiles, not just the ones deemed “active.”
5. The average costs for purchasing goods or services from the MLM company or the upline by percentile of income levels (matching the percentiles in Item #4).
6. The percentage of the incomes of the uplines that are derived from sales outside North America.
7. A “weighted” overall average income of all distributors so that the extraordinary high incomes of the small number at the top are not calculated in with vast majority so as to give a more statistically valid figure. Thus the top 1/10 of 1% —and certainly the founding distributors—should be eliminated from any calculation of average income. This group's average income should be reported separately due to their distinct positioning for profiting from the investments of all others.

Mail to:

Federal Trade Commission
601 N. Pennsylvania Avenue
Washington, DC 20580

Name _____

Address _____

City _____ State _____ Zip _____

This petition is sponsored by:

- Pyramid Scheme Alert, 1235-E East Blvd., Charlotte, NC 28203. (URL: <http://www.pyramidschemealert.org>)
- National Council Against Health Fraud, 119 Foster Street, Peabody, MA 01960 (URL: <http://www.ncahf.org>)
- Quackwatch, P.O. Box 1747, Allentown, PA 18105 (URL: <http://www.quackwatch.com>)