

Excerpts from Quotes Regarding the Effects of MLM (multi-level or network marketing) on LDS Participants and Families

Communicated to Jon M. Taylor, Ph.D., President, Consumer Awareness Institute*

Generally, the more a person invests in MLM, the more he/she loses – sometimes even his/her home and family!

“My brother had everything going for him – a lovely wife, three wonderful children, a good-paying job and a nice new home. A relative described what happened:

“But he went bonkers with his latest MLM deal. He felt the necessity to buy a fancy sports car and the best suits to appear well heeled, then quit his job and mortgaged his home – encouraged by his upline, but without his wife’s permission. She was distraught when she found out, but he just responded with grandiose ideas and big promises.

“Since she did not ‘catch the vision,’ he felt his wife was holding him back. He continued to call the shots without consulting her. She lost all trust in him, and the family began to unravel.

“They lost their home and wound up in bankruptcy. She was embarrassed when they were forced to move in with her parents.

“This couple finally divorced. Living in a trailer, he is still chasing his MLM dream. He doesn’t make alimony or child support payments. Why should he? Plenty of money is always just around the corner. Than he will catch up.”

—Vance G., Kaysville, Utah

Participation in MLM’s such as Nu Skin, has culminated in mental illness, suicidal thoughts, even suicide.

“I got excited about the Nu Skin program (then using the names of their Big Planet and Pharmanex divisions) to the point that I invested everything I had in it. The harder I worked and the more I invested in Nu Skin, the more I lost. My single-minded focus led to the loss of my job, my home, my credit (having maxed out all my credit cards), and eventually my wife and family. I became suicidal and am now under treatment for depression.

– A Nu Skin victim who refused to give his name, fearing consequences (And this is not the MLM victim interviewed who suffered depression from participation in Nu Skin, Amway, etc.)

“We lost \$90,000! It will take a long time to recover.”

“I was recruited at a very vulnerable time. I’d had marital and family problems and needed a boost to my self-esteem. The people who recruited me knew all the right things to say. They really know how to hook you.

“So I got involved. I believed it and was very trusting, a weakness often found in us gullible Mormons. I went out on a limb and took out a lease on an expensive office. I really believed I would be able to help people like myself be successful, so I recruited many people into the business.

“But the more I got into it, the more evident the deception became. I witnessed top executives laugh behind closed doors at how gullible some people were. It didn’t seem to bother them that retired people and young families were putting everything on the line. And I learned they only expected 2% to actually make it [actually far less], even though each and every prospect was led to believe they had the potential of achieving the top income levels.

“They didn’t tell people about the distributors that failed or offices that went under. I felt guilty and responsible for all the people I had recruited. My husband and I finally decided to quit while we could, but not without losing close to \$90,000—some of that helping those we’d recruited get out from under the yoke. We’ll be paying on that for years to come.”

—Mary Carpenter, Poway, Calif.

All relationships should not become business relationships.

“I recently viewed your website regarding recruitment MLM’s. I appreciate the lucid arguments presented backed by a large amount research. Your website is very interesting and I have felt similarly about MLM’s since my mission companion showed up in a suit on my front porch 3 weeks after he got home and proceeded to introduce himself- as if I had never seen him in his life. Pretty much the most awkward thing I have ever gone through.

“How do you say no to a mission companion, let alone tell him that he should quit wasting his

time and money with this garbage?? You don't, you can't...because you feel bad and obligated to 'help him out' not because you are interested but because you get the 'retard tingles' for him (you know the feeling, when someone does something and everybody feels embarrassed for them - except for themselves) you tell him that you are 'somewhat interested' all the while screaming in your head how ridiculous this is and you can't truly believe that you are in that situation.

"So, how did I get out of it? The only way that you can legitimately decline the offer and maintain a respectable level of friendship. Agree that the product is good, state that you are interested but that you have other goals/not enough time, and then write down your brother's address and phone number and tell them that he would be very interested and to give him a call.... Then call your brother, tell him what you just did, then laugh at him because he is going to have to deal with the same situation. This was my first encounter with and MLM. I have several other excellent stories. .

"I disagree strongly with the feeling in recruiting MLM's that all relationships should become business relationships. I don't want all my friends as business partners, I love my brothers and sister but that doesn't mean I want them as business partners. I have been approached several times regarding MLM schemes. It is very frustrating when people in the LDS community use their church membership for personal gain- or losses depending on which view of MLM you take.

"I am a recently married student and moved into a ward where there is not a lot of material wealth. I see some people in the ward who are particularly struggling and amidst it all attempting to set up these bogus distribution networks. It is extremely sad.

"There is one family in particular where the husband and wife have both quit school and recently started working only part-time so that they can use the rest of the time to promote their 'business.' They have two small children and are pretty much pouring their money down the toilet. How do you tactfully decline their offer and help them understand what they're doing is ridiculous.

"These people believe that it is a legitimate business and are pouring their heart and soul into it, setting themselves up for failure. I think these types of businesses are largely unethical and are enticing naive LDS members with these smoke-and-mirrors schemes. Thank you for a wonderful website."

– Cameron Nelson

MLM/network marketing claims to benefit families but often has the opposite effect.

"Our daughter and her husband joined Amway 17 years ago and have fed every spare dollar into the program since that time. Though they were promised great wealth, they are now working a second job to support their involvement in Amway (now Quixtar) – spending time and money on training and products. *They spend Sunday evenings and Family Home Evening times going to Amway/Quixtar Meetings, where they are told that they are all for God, family, and country. In reality, Amway/Quixtar has taken their family away from some of their church activity and from their children. They are more like a cult or religion than a real business.*

"This network marketing is deceptive and insidious. We feel ill when our daughter and son-in-law talk to us about their "family business." For years they have been talking about how much money they will be making in 3 or 4 years and then be able to retire. *Even though he has a second job, it appears that they are using the second income to pay for Amway expenses.* For instance, they often borrow household appliances from us, such as a vacuum cleaner to use in their home.

"We feel very sad about the effect MLM has had on our daughter's family, on my brother's family, and others as it has spread through our family. *It is evil.*"

—H. Benson, a retired Salt Lake City doctor, who with his wife is now serving a mission for the Church

"We sunk tens of thousands of dollars into Amway over a ten-year period, which was hard on a teacher's salary. And with the encouragement of our upline, we spent nearly all our spare time going to Amway meetings and weekend retreats during that time. Our grown children are still resentful of all the time we spent away from them – time pursuing the Amway dream."

—Marvin and Elsie Halliday, Kaysville

[NOTE: The book mentioned below is *THE NETWORK MARKETING GAME: Gospel Perspectives in Multi-Level Marketing*, which was published in 1997. —JMT]

"My experience with MLM began in 1990 when my father recruited me into Amway. In your book you mentioned the attitude changes that take place when a family member gets so involved in the MLM concept. *I listened to fights that took*

place between my parents over my father's involvement with Amway. On the other side of the coin I also heard arguments about my mother's involvement with gambling. In my opinion, even though these are two completely separate issues, they both steal from the family unit. Both give the impression that huge wealth may be accumulated if you continue to dump the money into the MLM concept.

“Like my father, over the course of 12 years I was a victim of several MLM programs, from some of which I earned commissions [but no profits], all of which failed. . . . Some were just money driven without ethics. The same companies are still operating this very day under different names [Amway is now Quixtar, Nu Skin uses the Phamanex name, etc.]. I wonder why they changed their name? Could it be that the authorities caught up with them? Or was it the bitter taste that they left their victims.

“I am bitter towards most MLM companies. I believe in free enterprise and encourage everyone who is interested in improving his or her financial position to first read your book, then ask our Heavenly Father for direction. There are opportunities available that are ethical and really are for the good of mankind.”

—Tracy Ranson

MLM/network marketing saps families' financial resources

“One of my sons was struggling financially and had become involved representing a recently developed “Nu Skin” product produced by “Pharmanex”, a subsidiary of “Nu Skin Enterprises”. After review of your book it became very clear to him and his wife that they had unknowingly become involved in a multi-level marketing program to market this product. They immediately decided to cut their losses and abandoned the effort. *Looking back they realized that they had been so entrenched in the concept that they did not see the financial ruin they were about to endure and the toll it was beginning to take on their family relationship.*

“Today they believe they made the correct decision and have regained their self worth and financial stability. If asked about the experience they would simply state that the product was good but that they were lucky to get out before their well-being was put into jeopardy.

“After this experience I shared the book with some family friends whose daughter and husband

had been in a multi-year relationship with Amway. *After losing tens of thousands of dollars they also decided to quit the MLM program and are currently working their way out of debt.* The details in the book, and on your web page [www.mlm-thetruth.com], only support what they had experienced. They only wish that this information had been available to them years earlier.”

—John Henderson, Salt Lake City

“It is my observation that those few who do make money in MLM have taken a road paved (at great personal and family expense) with misrepresentation, and the heartache and failure of the 99.5% who lose money.”

—Ray Carpenter, a California dentist whose wife lost over \$90,000 in an MLM. Her sister lost \$70,000.

MLM sometimes impacts negatively on Church activity and missionary work.

“I have deep concerns about the *explosion* of multi-level marketing within the church. My greatest concern is that church members will become so focused on building their downline that they will forget we are here to build the kingdom of God. It would certainly seem that most network marketing schemes take us toward Babylon, not Zion. . . .

“Several experiences come to mind that underscore the danger of trying to build a downline within a ward or stake. I have witnessed the “fellowship of the saints” giving way to the fellowship of a few as efforts begin to be concentrated only on those who will join the cause. Friendships are feigned as invitations to dinner are given, then sales pitches follow. Non-joiners are dropped like hot potatoes. And the ‘inner circle’ of those who do join the business are certainly ‘superior’ to the rest of the ward because they take only the finest vitamins, or aren’t polluting the earth with toxic cleansers, etc.

“On one occasion, two stake missionaries who were involved in a nutritional network marketing [MLM] scheme actually visited a new member and began to teach a new member lesson of their own making, convincing the convert that he must take certain supplements [sold by their MLM company] and eat a certain way if he wished to enjoy to the fullest the companionship of the Holy Ghost. These two became so obsessed with their own teachings and fanatical in their approach to food

that they ultimately refused to take the sacrament if the bread was white, etc.

“At our ward Christmas party I was happy to see that a sister we had baptized the end of November was in attendance with her family. I was anxious for ward members to befriend her and was happy when a sister about her same age approached her to introduce herself. *They spoke for a few minutes about their children, then this sister reached under her coat and produced a video and product literature and began talking to this new sister about joining her MLM. I was furious! Our new convert barely had time to ‘dry off’ after her baptism before her first introduction to network marketing in the church. As a stake missionary, I am particularly wary of involving anyone who is part of a multi-level marketing business in fellowshipping those we teach. There are always strings attached to their friendliness, and hidden agendas behind their smiles.*

“A friend of mine has recently started selling ‘Usana’ vitamins. *Not only is she convinced that they will cure everything from tennis elbow to AIDS, but conversations that we used to share about the gospel now always seem to come around to Usana. It has become her central cause and great mission to get these vitamins into as many hands as possible. She used to say the same thing about the Book of Mormon.* Recently a long time friendship of hers in the ward ended when a member of her downline lied to her about his efforts to sell the product.

“My own experience has caused me to avoid connections with multi-level marketing at all costs. Thank you for your continuing efforts to help church members become aware of the pitfalls of network marketing.”

—Lynn H. Greene, Auburn, California

I once conversed with a mission president returning from the Orient, who said that it was not unusual for newly baptized converts to be approached by MLM recruiters literally at water’s edge – to get them into their downline before someone else does.

—JMT

MLM/network marketing can lead to family dissension

“I’m so glad to see someone address this phenomenon that has pushed its way into our lives. [In your book], you have done an excellent

job in addressing the pros and cons of network marketing. Although I would definitely say your cons are stronger than your pros. Maybe proponents would say you have a sour grapes attitude. However, I totally agree with you as I’m sure there are thousands of sour grapes out there.

“You have done an excellent job comparing gospel principles to MLM. It was very humbling to be reminded. Your book took away all anxiety to feel like I must be crazy that I’m not still pushing to make millions in an MLM. I’m glad to know I’m not alone in my experience and feelings. . .

“I have tried at least four MLM’s in the last 23 years. I have wasted time and energy and money. I am not active in anything at this time and have insulted family members when I have turned down their opportunities by forming my fingers in a cross as one would ward off a vampire.

“I still have family members participating heavily. I will say it has caused more family problems than you can imagine. Precious family relationships have definitely been strained. When many members of the family work hard at it and only one makes it big, it created envy and bitterness in many directions. The one member has in-laws with money and influence. That is a definite advantage. The company they are involved with is a large vitamin company centered in Salt Lake City, USANA.

“I feel I was manipulated by comments such as: If you really love your children you would put them on the nutritionals. If you don’t, you’ll just put money out in doctor bills, etc. [but the supplements cost] \$50 a person x 7 family members a month! The only way to really love my family would be to be a distributor. I chose not to be involved because of past experience, and I don’t think that the Lord would reveal miraculous cures and healing powers and make them available only to the rich, or expect us to go into debt every month to have them, which is what I see happening.

“You have opened a highly emotional can of worms with this subject. It’s good to finally see it from the other side. I feel much better, and my feelings have been validated by your book. I’m sad to say we have avoided family contact because the focus has constantly been USANA, cruises, \$, current health claims, and guilt trips. After reading your book, I now feel more at peace with my decisions and my financial life.

“I do love my extended family dearly and should support them in their choices also. I would never undermine them or hurt them. In all fairness, they believe in what they are doing. I guess this

will be a test for them as well as for us. Maybe the extreme emotion, enthusiasm, and energy that has been generated by MLM programs has also created the same amount of negative energy on those of us who have tried and failed. Isn't it a shame."

—Julene in Idaho (last name withheld on request)

Victims have come to see MLM as an addiction

"It really can be a form of addiction. The tendency to have tunnel vision, not being able to turn it off. When I was in MLM, I focused on the MLM to the exclusion of everything else. It's linear living. After every MLM I've gotten out of, I noticed a whole new world out there that was going on without me."

—Larry Kramer

"I have heard 'converts' to the network marketing game say that the camaraderie and 'spirit' offered by their MLM seems to eclipse that of the gospel. My brother entered the maze of network marketing many years ago by joining Amway, and ultimately found greater uplift in their conventions than in sacrament meetings. He felt the people in Amway were genuinely interested in sharing an opportunity for financial success with others, and were entirely service-oriented people. I told him to drop out and see how much they really cared.

"But his connection to MLM's was only beginning. Once a person has become addicted to the promises offered by these get rich quick schemes, he will jump from one business to another in search of a 'ground floor opportunity' or the perfect marketing program. My brother has such an addiction. Since moving to Utah a year ago he has joined a half dozen network marketing groups. He hasn't made a penny in any of them. And he stands to lose much more than income. I have watched as his own family relationships have suffered. If he doesn't begin making a living soon, he will lose his house."

"Somehow my brother has been convinced that anyone who would work in a regular 8-5 job for someone else is a loser and can't make it in the real world. His fanaticism about multi-level marketing has introduced him to several new age products and groups with which he has become closely connected. He has begun to embrace their

anti-Christ doctrine through his efforts to market their products.

—Lynn H. Greene, Auburn, California

Some skip church meetings to "pursue the MLM golden calf."

"About 15 years ago my ex-brother-in-law recruited me and my whole family into Amway. Spring of 1983 was exciting for me because I had been home from my mission for a year, had completed one year of college, was engaged to be married and then along came Kim with the 2-5 year plan and after that, financial freedom! Needless to say it didn't happen.

"In fact a year later I was out of college, working full time in the shipping department of a local technology company, engaged to get married and busily pursuing "the plan." *I spent several thousand dollars on seminars, rallies, books, tapes, information kits, and untold hours "working the plan."*

"I hated Sunday evenings because those were the evenings I was supposed to set up my "opportunity meetings" for the week. I skipped young adult activities and other fun outings because I needed to be out there "spinnin' circles into gold." I took my future wife to several meetings so she could meet the UPL1NE and almost drove her away.

"To summarize, I completely changed my goals in life to pursue this golden calf, which added nothing positive to my life, except the knowledge that I would never again be involved in MLM."

—Kendall Summers

MLM/network marketing participants often use their Church positions or connections in their recruiting.

"We have been approached so many times over the last 24 years of our marriage that I can't even count or remember them all. Former mission companions, coworkers, acquaintances, ward members, and relatives. They are never up front about why they want to come by, and always give vague or misleading reasons for wanting to talk with us. I have to give them credit for creativity.

"We thought we were familiar with all the approaches by now, but this last one, had heard that my husband just started his own contracting business, and said he had some information that would help him with his business on the Internet.

We thought maybe he wanted to show us how to do web sites or something. Rob (my husband) wasn't interested, but this guy was so insistent that Rob finally agreed to let him come by.

"I was immediately suspicious when told that he and his wife were coming. As soon as I saw them walk in the door, dressed to the hilt, with another young couple. . . I knew. Amway. Of course, they never use that name or barely mentioned that it had anything to do with selling products. The presentations are always so vague, that can hardly comprehend what in the world they're trying to sell. All they ever talk about is money, and how rich we're going to be, and show off that ridiculous picture book of wealthy executives, and all the free time and trips we'll be able to take with our kids.

"The thing that bothered me most, was the big, overly friendly hug the woman gave me when they first walked in the door, as if we'd been long, lost friends for years. I had never even spoken to her before that night, since they had just barely moved into our ward. Gag. Actually, I decided to make the best of being suckered into another presentation and being pulled away from my family, that I thought I'd have a little fun with them, so I began changing the subject constantly and getting them quite exasperated with me because I wasn't taking the bait, I just chuckled to myself.

"It was while drifting off the subject, asking them questions about family, etc. that I discovered the "other couple" was from a neighboring stake (Phoenix East), the one both my husband and I had grown up in. This man was the son of the current stake president. I think he was a little bothered by the fact that we knew so many of the same people that he knew. It seemed to make him a bit uncomfortable. So when I questioned him about his father's involvement, he went on and on about how his father recruits members of his stake that come to him looking for work.

"I was shocked, and my opinion of the man dropped dramatically. Of course, after reading your book I realize he may have been exaggerating or lying altogether to give credibility to himself. I don't really know. I inquired around a bit with friends from that stake, but no one really knew anything. Two months later, however, his father was released as stake president, so I didn't pursue it."

— Susan D Johnson, Phoenix

With 45 years of experience, I have concluded that MLM is "a huge, immoral, unethical, and probably an illegal, marketing scam."

"I have been connected with four NM companies and all of them, without fail, have been losers. The first two went belly-up leaving the distributors stuck with merchandise and irate customers, It was supremely irritating and I resolved then to stop listening to MLM callers, including old friends.

"However, when it was a near relative who called next, I fell again and joined another MLM company [Nu Skin], a large one in Provo, the network marketing center of the universe. This company is a monster and making huge money every month. Their prices for health supplements are excessively high and I became discouraged very soon with the monthly requirement to buy a full case of the stuff for well over \$120 per month. I soon gave them up as pure leeches with nothing to offer distributors but dreams of riches and gross materialism as their main goal. . .

"As a long-time marketing guy with 45 years of experience, I have concluded, some time ago, that MLM is a huge, immoral, unethical and probably an illegal marketing scam. There is so much pressure on LDS members to get into this business that I fear that many will end up either very discouraged and unhappy with other members who may have trapped them into joining or that a few will end up as unhappy rich guys with little spirituality left in their souls. I know a few of the latter and many of the former."

—Paul M. Wilson

"Thankfully I'm just about recovered from a pretty near disaster from my involvement with Mannatech. . . Had I had your book earlier it would have saved me a lot of head and heartache.

"Before that 'opportunity of a lifetime' came around, I didn't know anything about MLM's and I got a crash course that nearly killed me. It was a bad experience, one I hope to never repeat."

—Kim and Derek Rudy, Oregon

MLM/network marketing dupes people to do what they would not otherwise do.

“My father, a VERY accomplished physician (who has been head of various radiology departments and has a very intimidating list of specializations, including nuclear medicine, interventional radiology, MRI, you name it – and a successful business owner in his own right, having started several successful practices already) is a firm believer in Usana. It is going to be very difficult for me to show him the true side of this business, and it’s going to hurt him dearly. He is a man that has dedicated his life to helping others, and he truly believes, with real heartfelt conviction, that he is helping people with Usana. He has helped a number of people even get into the ‘business’, paying their entrance fees.

“But he doesn’t understand the business side of it – that by recruiting patients and friends and relatives he is leading them to almost certain financial loss. As an active Latter-day Saint, if he knew the damage he was causing, I’m not certain he could live with himself. But I can’t get him to listen to me – the Usana people have him brainwashed.”

—Anthony Jensen, Texas

In many ways, MLM/network marketing mirrors the true Plan of Salvation – but is counterfeit.

“You drew some interesting parallels between MLM and the Lord’s program for the salvation of His children. . . . God’s work of helping His children gain immortality and exaltation is motivated entirely by love. Recruiting MLM’s are almost wholly motivated by vanity and greed, not brotherly love. When God’s children are glorified, it doesn’t diminish His own glory one bit – in fact it adds to it! But recruiting MLM’s only enrich a few at the expense of the masses. As you so deftly put it, Satan has his counterfeits.

“Thank you for your great insights and all the work you have put into researching this little understood subject. If every Latter-day Saint interested in joining recruiting MLM’s would just take the time to read your [information] and educate themselves, they could save a lot of grief.”

—Michael Rawlings, Logan, Utah

The MLM recruitment pitch is often deceptive.

“We’ve been suckered again into a high-powered sales pitch by a new, well meaning,

young couple in our ward. They always seems to have a different approach to get us to listen to them, but it’s the same old Amway bundle wrapped in a different package.

“Looks like they’re trying to capitalize on the Internet now. What’s even more disturbing, is that this time, it’s being promoted by a local church leader. We know these people think that what they’ve found is the answer to prayer, and mean well, so we listen to them politely, and send them on their way when they’ve finished, not wanting to offend or cause problems with otherwise very good people and members of our ward. But we sure could use some ammunition to nicely show them the flaws in such a plan.

“We’ve watched so many different people over the years get excited about getting rich with little effort, and go off to all these “positive” [MLM] conventions, only to eventually give it up with their tails between their legs and worse off financially than ever, after losing all their friends and credibility from pestering others to death.

“Sorry to go on and on, but this is fresh on my mind after having our evening spoiled last night by yet another do gooder, who just “happened” to bring along his good friends.”

— Susan D Johnson, Phoenix

MLM promises “time freedom” – no need to work

“My husband has always been a hardworking carpenter, who learned at an early age the value of work, That was one of the biggest turnoffs for me about most of the “approaches” that recruiters use. I have long realized that work is what made my husband the man that he is, and the thought of having so much time and money to spoil my children with, denying them of that same education just never felt right, among other things.

“During our last encounter with a recruiter last summer, I kept wanting to ask, ‘What’s wrong with working hard at an honorable job building homes for people? Somebody’s got to do the, work! We can’t all sit idly around enjoying the good life.’ . . .

“Anyway, I’ve watched so many people over the years come to us with this grandiose opportunity to get rich, only to observe (from a distance) that they always ended up worse off than we ever thought of being.”

— Susan D Johnson, Phoenix

A successful Washington, D.C. (active LDS) attorney decries the use of Church connections for MLM recruitment, which he regards as “a dangerous game.”

“I just think MLM is a very dangerous game to play. It poses a significant risk to spirituality and happiness. Let me explain why.

“First, MLM promises the opportunity to get rich quickly and easily. It appeals to the same mentality as gambling. Though you may put out a lot of effort at first, the expectation is that you’ll soon get to the point that others will do your work for you. You can then be on easy street for the rest of your life.

“And second, with MLM, ultimately you are not contributing—you are taking. In recruiting, you are capitalizing on relationships you may have build up over time with friends and relatives—and placing them on the alter of money. And for this reason it can negatively affect both your relationships and your spirituality. Contrast this with Christianity, which is a religion of service to others—without expectation of reward.

“Pose this question to anyone, “What do you do for your money?” People in a happy, stable state will be able to articulate a good, righteous answer. How can a successful MLM distributor answer that question? Can you imagine a person running for political office or called to a responsible church calling having “network marketing executive” listed among that person’s qualifications? . . .

“These are just some of the reasons I’m not a fan of MLM. My wife and I have been approached numerous times to get into various MLM programs. I tell them I wouldn’t pursue any MLM deal—no matter how good it sounds. And I get particularly irritated when LDS church members take advantage of the church’s close-knit organization or use their church positions to make contacts and build their downlines.” . . . “MLM is the false religion of the 90’s. [This was written in 1997.] The ideas that are peddled are not good for the soul. They run counter to the principles of true wealth taught by the Savior. MLM offers the promise of great wealth – a false god. Money gets confused with happiness. Its appeal is persuasive and very seductive.”

—John Wunderli, Jr.

Correspondence from Nu Skin contacts in Asia, a source of hundreds of millions of dollars of annual revenue (about 85% of total revenues) – virtually all obtained by misrepresenting its “opportunity”

“This is where the MAJOR “CRIME” is committed – the Independent Distributors, in particular the Blue Diamond leaders and their teams will mostly do anything TO SUCK OTHERS IN and they do this because they would otherwise lose whatever they have built !

“George Calligeros [a Nu Skin recruiter] always said ‘The fear of loss is the greatest motivator’ in his presentations and training and he knows and works on this. His modus operandi is to get recruits on the “path of Executiveship” so that they appear to themselves to be ‘on track to Blue Diamond’ and the ‘Fear of Loss’ will keep them maintaining their Executiveships even if they BREAK THEIR BANKS AND CREDIT CARDS in the process!”

— David Kwok Chong, a correspondent from Singapore, who identified what he calls “vicarious misrepresentation,” or the penalty for not recruiting and buying a sufficient quota of products

“We were hyped about the huge, unlimited potential of marketing in China. Malaysia is seen as a small training ground. The actual gold mine is China. We were told that 50 cities would simultaneously launch Nu Skin Products, [and] that is why we have to establish our base in Malaysia to enable us to tackle China.”

—unnamed correspondent from Malaysia

“The motivation is in the compensation system, which promises rich rewards if we recruit distributors into our downline. We have been repeatedly encouraged to attend training sessions, business opportunity meetings and meetings to meet our ‘uplines’ to be charged up. Both I and my wife somehow felt uncomfortable with the way things are conducted – bordering on the practices of a potential cult.”

— David Leong [I think from Malaysia —JMT]

“This whole thing about MLM is really a scam and I am really disappointed too with the whole Nu Skin thing. . . Recently our government amended the law to include MLM as a legitimate business apart from pyramid schemes. After reading your report, I felt they have not understood the whole story about MLM’s.

“Nu Skin has exploded here. With a population of 3.2 million people on our tiny island, the whole thing is going to be saturated very soon. . . . “I must admit they have quite OK products, but retailing is next to impossible because of the high price. So what they do next is to get distributors to join, so that they will buy and we can get our points. The only way you can achieve your points is to recruit people, and this . . . is the big scam of Nu Skin!!!

“I feel really bad for bringing in friends and family . . . What we are doing is benefiting the uplines, especially the top guys. A bunch of them came from Australia, Taiwan, and Hong Kong. I believe they are seeing their incomes drop and coming here to open lines to support themselves.

—Jerome Pang, Singapore

“This [Nu Skin] is the hottest thing in town right now and it’s spreading to Malaysia very soon! Everyone is talking about it.

“I’m in it and has now made the decision to get out . . . through friends and also through PSA [Pyramid Scheme Alert] which has given me a better understanding of MLM. Firstly, they present to people that they are not the illegal pyramid by comparing the characteristics of the company vs. a illegal one. Currently, they are “emphasizing” the goodness of the products using their philosophy “All of the good and none of the bad” and speeches by overseas Blue Diamond achievers to camouflage the scheme. Basically their approach is to present to the “prospects” 2 options i.e.

1. To be just a distributor doing retailing selling products and earn that bit of money as recurring income [NOTE: Few outsiders understand that this is merely a come-on. Understanding the compensation system unmask this lie – the payoff to recruit is so far superior to the rewards for direct selling to end users that few would seriously attempt to retail products.]

2. Make it big by building the organization through recruitment of distributors who have unfulfilled “dreams.” In this way, they don’t take any accountability or responsibility which option the “prospect” will take. And obviously, many people will choose option # 2 because of greed and the “promise”.

It is disheartening to see people being deceived by this scheme. I don’t know how much the government knows about the underlying scheme. Can you advise how I can warn or educate people about this harmful scheme in Singapore?

— Kwok_Chongdavid, Singapore

“Nu Skin opened [Malaysia] with great fanfare on November 10, 2001. There were at least 5,000 signups in two days. . . . Before Nu Skin opened, . . . we were led to dream about expanding our markets to Indonesia (predicted opening in 2002) by our Hong Kong/ Singaporean Blue Diamond uplines & China in 2002-2003.

“We were informed that with our multilingual abilities (English, Chinese and Malay), penetrating Indonesia and China would be easy. If we work hard at the “ground start-up” and achieve our executive status, we would be able to achieve levels only dreamed of by others. China’s 1 billion population would be a mountain of treasure for those who dare to dream.

“Singaporeans were shown that Malaysia in particular and then China and later India was going to open and if they participated, they would be able to enjoy tremendous ‘residual income.’ Little is said to them that the Taiwanese and Hong Kong people are better located and experienced in dealing with China.

“Now, with the China announcements that I have given you, it appears that the China dream is a ‘bitter lemon’ for the people who have not made it big yet (those who cannot attain Blue Diamond and Hawaiian Blue Diamond status by December 2002).

“ (China) is now a ‘limited opportunity’ skewed in preference of the ‘Team Elite Members’ (Hawaiian Blue Diamonds), and ‘Executives’ are now being compelled to attend at Salt Lake City’s convention before they can participate in China. This alone has been a huge vicarious misrepresentation by Blue Diamonds on behalf of the company, but the company will always deny it because even on their website, they have structured the information that China is a “market under construction” and that they are negotiating and so on without commitments to the distributor publicly. The company is very smart on this matter.

“Quite often, in BOM [business opportunity meetings], it is stressed that because of the “breakaway sidestairway plan” [sic – I think he meant stairstep breakaway.] YOU CAN BUILD BETTER AND BIGGER THAN YOUR SPONSOR AND THOSE BEFORE YOU especially NOW THAT THE BIGGEST MARKETS IN THE WORLD ARE OPENING – CHINA AND AFTER THAT INDIA ! This is the LURE!

“[Our upline] insists that the 500 kit pack is essential if we want to start as business builders (meaning executives and above). They even go to the extent that if we don’t buy the 500 pack, we

cannot attend their Win-Win Club Leaders Training. Of course, everyone (including myself) who wanted to know what win-win club leader training means ended up buying a 500 pack each. The 500 packs sold like hotcakes from Nov 9-Nov 15. When the individual products were launched on November 23, Malaysian's distributors bought individual products to meet their 500 points quota.

"We were told that if we work hard, we can become Blue Diamond in 5 years. Jackie Phua, a Blue Diamond from Singapore, would boast every time she trains, that she became a Blue Diamond in 6 months and both her uplines are Blue Diamonds."

Dear Sirs,

"I am writing to add more information about this horrible company. Many of us were recruited because:

(1) The compensation plan allows us to grow bigger than our sponsor etc – that's what they tell us.

2) There is this great China Opportunity that is represented to us by our sponsors at the point of recruitment - just attend any of the Business Opportunity Meetings that had been run for the last 12 months in Singapore and other parts of the world and perhaps in the USA.

"Now, the company (notwithstanding the fact that they have to comply with China's laws and authorities) have come up with a draft proposal to its Big Hitters (the Blue Diamonds) amongst its hundreds of thousands of distributors worldwide.

"Sure, between now and December 2002, we can all compete to qualify for the 'Big China Opportunity'.

"The major and critical difference is that some of us are starting now from near ground zero while many are up at Diamond and Blue Diamonds with huge organisations already standing.

"It would not take more than a child to tell you that the race to 'make it for China' will have the big hitters at the top of the 'pyramid'!

"The rest of the distributors will be surviving if we can on the 'crumbs of China!'

"IS THERE A CAUSE HERE FOR FTC INTERVENTION? "HELP!"

—Dato Lim Kok Peng, Malaysia

*All of these communications were received by Jon M. Taylor, President, Consumer Awareness Institute, from 1997 to 2005. At their request, the

names of a few of the victims were changed to protect their identity.

NOTE: Over a period of years, all of this information – and several reports with solid evidence of violation of the Federal Trade Commission Order for Nu Skin to stop its misrepresentations – were passed on to officials of the FTC and Utah's Division of Consumer Protection, but nothing was done. The FTC would not even release its file of correspondence with Nu Skin for examination, using the Freedom of Information Act (FOIA).

Nu Skin officials circulated to the media a statement that I, as their whistleblower, am merely a disgruntled ex-distributor who failed their program. It is true that 11 years ago, I was aggressively recruited (by local church leaders) and agreed to give it a try. I rose to the top 1% of all distributors in one year (hardly a "failure") – though still losing money. With the help of my wife, I came to see that it was a scam and that I would have to deceive thousands of people to earn the \$750,000 a year my recruiters had promised me. I learned from this experience that *to succeed in an MLM program like Nu Skin, one must first be deceived, then maintain a high level of deception, and finally go about deceiving others – aggressively.*

—Jon Taylor, Consumer Awareness Institute