

Pyramid Schemes Confuse Consumers by Masquerading as Direct Selling Companies



The law in many states, judicial decisions at the federal and state levels and a Federal Trade Commission (FTC) staff advisory opinion define pyramid schemes as any plan or operation in which individuals pay money for the right to receive compensation that is primarily based upon recruiting other individuals into the plan or operation rather than related to the sale of products and services to ultimate users, or consumption by ultimate users.

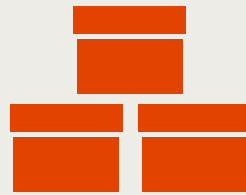


These ultimate users are individuals who consume or use the products or services, whether or not they are participants in the plan or operation.

Red flags for pyramid schemes include:



High start-up costs and/or required training purchases



Few or no opportunities for the company to buy-back unused inventory



A company that sells few – or no – real products or services through its independent salespeople



Pressure to sign a contract quickly



Exaggerated earnings claims



Evasive answers by the salesperson or unwillingness to give disclosure documents required by law