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*International Association to Expose,
Study and Prevent Pyramid Schemes*

March 25, 2005

Members of House Subcommittee on
Commerce, Trade and Consumer Protection
United States House of Representatives – 109th Congress
Wahsington, DC

Dear Congresspersons:

We respectfully ask you to review the enclosed report from *Pyramid Scheme Alert*, a non-profit consumer watchdog group, regarding HR1220, a bill referred to the House Subcommittee on Commerce, Trade and Consumer Protection.

“The Myth of MLM Income Opportunity,” is a follow-up to material we mailed to all members of the Commerce Subcommittee in 2004 regarding the stealth campaign of “Amway Industry” – run by the DC-based Direct Selling Association – to legalize pyramid sales schemes.

We also call to your attention that this same bill, promoted by the same organization, was rejected by the Utah State Senate this month. Further, in May of 2004, *NBC Dateline* presented a hidden-camera investigation of the recruitment practices of the largest member of the DSA - Amway/Quixtar - exposing systematic deception.

HR1220 and its state-statute version have been presented as a consumer-friendly “anti-pyramid scheme” bill. It is the opposite. It seeks to legalize what most state statutes, three federal court rulings and the official policy of the FTC for the last 30 years define as illicit pyramid schemes or unfair and deceptive trade practice. HR1220 would make such pyramid sales schemes legal and legitimate.

The essence of the HR1220 is to legalize “endless chain” sales schemes in which virtually *no products are retailed to the public*. Due to its pyramid design, such a scheme results in at least a 99% loss rate among investors. This is the required ratio of those at the “top” to the latest investors brought in each year at the “bottom.” This devastating – and predetermined – financial outcome is deceptively withheld from the investors.

The enclosed report offers the statistical documentation from five major companies of this type, all members of the Direct Selling Association, in which more than 99% of their investors lose money. The losses are the direct result of the non-retailing nature of these schemes, making them pyramid recruitment schemes, not direct selling businesses. HR1220 would inflict great financial harm in «District_and_State», as it would nationwide.

We urge to review the documentation and not be fooled by the camouflage of this bill. We also request that our organization be allowed to testify at any hearing that might be held on this bill.

Thanks for your consideration.

A handwritten signature in black ink that reads 'Robert L. FitzPatrick'.

Robert L. FitzPatrick

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