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## **FTC Action Leads Court to Halt Alleged Pyramid Scheme**

*FHTM Promoted Itself as a Path to Financial Independence, But Most People Made Little or No Money*

At the request of the Federal Trade Commission and the states of Illinois, Kentucky, and North Carolina, a federal court has halted an allegedly illegal pyramid scheme pending trial. The FTC and the state attorneys general seek to stop the allegedly illegal practices of the Fortune Hi-Tech Marketing (FHTM) operation, which claimed consumers would make substantial income by joining the scheme. The operation affected more than 100,000 consumers throughout the United States, including Puerto Rico, and Canada. In some areas, including Chicago, the scheme targeted Spanish-speaking consumers.

“Pyramid schemes are more like icebergs,” said C. Steven Baker, Director of the FTC’s Midwest Region. “At any point most people must and will be underwater financially. These defendants were promising people that if they worked hard they could make lots of money. But it was a rigged game, and the vast majority of people lost money.”

According to the complaint filed by the FTC and the state attorneys general, the defendants falsely claimed consumers would earn significant income for selling the products and services of companies such as Dish Network, Frontpoint Home Security, and various cell phone providers, and for selling FHTM’s line of health and beauty products. Despite FHTM’s claims, nearly all consumers who signed up with the scheme lost more money than they ever made. To the extent that consumers could make any income, however, it was mainly for recruiting other consumers, and FHTM’s compensation plan ensured that most consumers made little or no money, the complaint alleged.

“This is the beginning of the end for one of the most prolific pyramid schemes operating in North America,” Kentucky Attorney General Jack Conway said. “This is a classic pyramid scheme in every sense of the word. The vast majority of people, more than 90 percent, who bought in to FHTM lost their money.”

As alleged in the complaint, FHTM promoted itself as a way for average people to achieve financial independence. Some FHTM representatives claimed they earned more than 10 times as much as their previous earnings in their second and subsequent years with FHTM. One person claimed that another representative earned more than \$50,000 in his sixth month and millions of dollars in subsequent years. Another person promoted a recruitment meeting on her Twitter account, stating, “Bring ur friends & learn how 2 make \$120K aYR.” At its 2012 national convention in Dallas, FHTM called its top 30 earners to the stage to present them with a mock-up of a \$64 million check, which several of them shared as a photo on social networking websites.

To participate in the scheme, consumers paid annual fees ranging from \$100 to \$300. To qualify for sales commissions and recruiting bonuses, they had to pay an extra \$130 to \$400 per month and agree to a continuity plan that billed them monthly for products unless they canceled the plan. Those who signed up more consumers and maintained certain sales levels could earn promotions and greater compensation, but contrary to FHTM’s claims, the complaint alleged, its compensation plan ensured that, at any given time, most participants would spend more money than they would earn.

According to the complaint, recruits were told they could earn high commissions by selling products to people outside the operation, but instead only minimal compensation was paid for sales to non-participants, and few products were ever sold to anyone other than participants. The scheme provided much larger rewards for recruiting people than for selling products, and more than 85 percent of the money consumers made was for recruitment.

In addition to charging the defendants with operating an illegal pyramid scheme and making false earnings claims, the FTC charged them with furnishing consumers with false and misleading materials for recruiting more participants. The attorneys general offices of Illinois, Kentucky and North Carolina joined the FTC complaint, as well as alleging violations of their respective state laws.

The defendants are Paul C. Orberson, Thomas A. Mills, Fortune Hi-Tech Marketing Inc., FHTM Inc., Alan Clark Holdings LLC, FHTM Canada Inc., and Fortune Network Marketing (UK) Limited. On January 24, 2013, the court halted the deceptive practices, froze the defendants' assets, and appointed a temporary receiver over the corporations pending a trial.

The Commission vote, including Commissioner J. Thomas Rosch, authorizing the staff to file the complaint was 5-0. The complaint was filed in the U.S. District Court for the Northern District of Illinois, Eastern Division.

For more information about the case, in English and Spanish, consumers can call 202-326-2643. To learn more about multi-level marketing, read the FTC's *Multilevel Marketing* and *Business Opportunity Scams ( Estafas de Oportunidades de Negocio )*.

**NOTE:** The Commission files a complaint when it has "reason to believe" that the law has been or is being violated and it appears to the Commission that a proceeding is in the public interest. The complaint is not a finding or ruling that the defendant has actually violated the law. The case will be decided by the court.

The Federal Trade Commission works for consumers to prevent fraudulent, deceptive, and unfair business practices and to provide information to help spot, stop, and avoid them. To file a complaint in English or Spanish, visit the FTC's online Complaint Assistant or call 1-877-FTC-HELP (1-877-382-4357). The FTC enters complaints into Consumer Sentinel, a secure, online database available to more than 2,000 civil and criminal law enforcement agencies in the U.S. and abroad. The FTC's website provides free information on a variety of consumer topics. Like the FTC on Facebook, follow us on Twitter, and subscribe to press releases for the latest FTC news and resources.

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