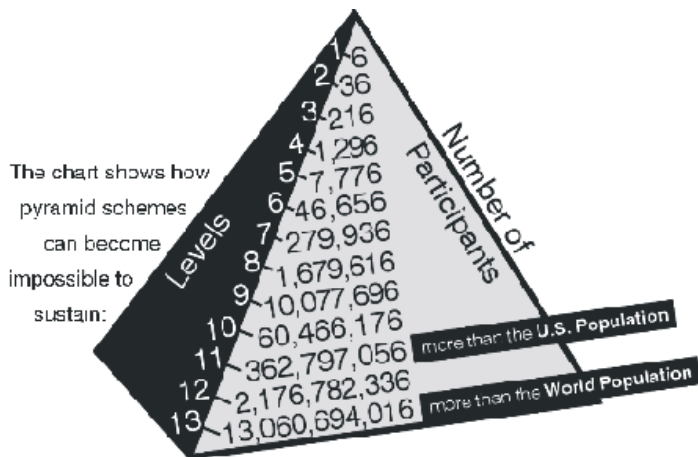




Pyramid Schemes

In the classic "pyramid" scheme, participants attempt to make money solely by recruiting new participants into the program. The hallmark of these schemes is the promise of sky-high returns in a short period of time for doing nothing other than handing over your money and getting others to do the same.

The fraudsters behind a pyramid scheme may go to great lengths to make the program look like a legitimate multi-level marketing program. But despite their claims to have legitimate products or services to sell, these fraudsters simply use money coming in from new recruits to pay off early stage investors. But eventually the pyramid will collapse. At some point the schemes get too big, the promoter cannot raise enough money from new investors to pay earlier investors, and many people lose their money. The chart below shows how pyramid schemes can become impossible to sustain:



For more information about pyramid schemes and fraudulent multi-level marketing programs, please visit the Federal Trade Commission's website and read their brochures entitled [Lotions and Potions: The Bottom Line About Multilevel Marketing Plans](#), [Multi-Level Marketing Plans](#), and [Profits in Pyramid Schemes? Don't Bank on It!](#).

<http://www.sec.gov/answers/pyramid.htm>

We have provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.