



FTC Settlement Bans Pyramid Scheme Operators From Multi-Level Marketing

May 13, 2014

FHTM Defendants Will Surrender At Least \$7.75 Million in Assets

FOR RELEASE

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The operators of a Kentucky-based pyramid scheme, which enrolled more than 350,000 consumers throughout the United States, Puerto Rico and Canada in the last four years, have been banned from multi-level marketing under a settlement with the Federal Trade Commission and the states of Illinois, Kentucky and North Carolina. The settlement also requires the operators to surrender assets totaling at least \$7.75 million, which will be returned to consumers.

In January 2013, the FTC and the states charged the Fortune Hi-Tech Marketing (FHTM) defendants with deceiving consumers by claiming they would earn significant income through selling various products and services if they signed up as FHTM representatives. In recent years, the scheme targeted Spanish-speaking and immigrant communities. Participants were required to pay substantial start-up costs and monthly fees to retain their positions with the company. The court subsequently halted the deceptive practices, froze the defendants' assets, and appointed a receiver over the corporations pending a trial.

After conducting its own investigation, the court-appointed receiver determined that FHTM's main business was recruiting new members and not selling products and services as it claimed, and confirmed the allegations made by the FTC and the states. The overwhelming majority of participants – more than 98 percent – lost more money than they ever made. At least 88 percent of consumers did not even recoup their enrollment fees. To the extent that consumers could make any income, it was mainly for recruiting other consumers into FHTM's scheme. More than 81 percent of the payments to participants were based on recruiting new members and not for the sale of products or services. Not surprisingly, at least 94 percent of consumers did not renew their membership after their initial year.

In addition to the multi-level marketing ban, the settlement order permanently prohibits Thomas A. Mills, Fortune Hi-Tech Marketing Inc., FHTM Inc., Alan Clark Holdings LLC, FHTM Canada Inc., and Fortune Network Marketing (UK) Limited from misrepresenting material facts about any product or service, including claims concerning how much money consumers can earn. The order also bars the defendants from selling or otherwise benefitting from customers' personal information, failing to properly dispose of customer information, and collecting any additional money from customers.

The order imposes a judgment of more than \$169 million, which will be partially suspended when the defendants have surrendered certain assets with an estimated value of at least \$7.75 million, including assets of the deceased defendant Paul C. Orberson's estate. The full judgment will become due immediately if the defendants are found to have misrepresented their financial condition.

The settlement resolves all of the FTC's claims against the defendants, as well as the claims brought by Illinois, Kentucky and North Carolina.

The Commission vote approving the proposed stipulated order was 4-0. The order was entered by the U.S. District Court for the Eastern District of Kentucky, Central Division at Lexington, on May 9, 2014.

To learn more about multi-level marketing, read the FTC's [*Multilevel Marketing*](#) and [*Business Opportunity Scams \(Estafas de Oportunidades de Negocio\)*](#).

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.

PRESS RELEASE REFERENCE:

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