



NEW YORK STATE SENATOR

Jeffrey D. Klein

## SENATOR KLEIN, JOINED BY OVER A DOZEN HERBALIFE VICTIMS, INTRODUCES LEGISLATION TO PREVENT PYRAMID SHAKEDOWNS

JEFFREY D. KLEIN March 11, 2016

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*Undercover video footage reveals Herbalife's "Hunters" aimed at swindling low-income people out of thousands of dollars*

*Legislation would increase oversight and require disclosure from multilevel distribution companies, as well as strengthen protections for potential sellers*

**NEW YORK, NY - State Senator Jeff Klein (D-Bronx/Westchester)** joined over a dozen Herbalife victims and advocates today to introduce legislation, and release shocking, new undercover video, to prevent pyramid shakedowns.

Over a dozen Herbalife victims, including one man who lost \$100,000 to the scam, stepped forward to tell personal stories of financial harm caused by this shady scheme disguised as a business opportunity.

"We have seen time and time again how Herbalife promises of the American Dream only wind up as a financial nightmare. Today we heard from victims who have lost as much as \$100,000 to this scam, while our undercover video shows that Herbalife International has known all along how its predatory practices are robbing victims of their entire life savings

and preying on their entrepreneurial hopes and dreams. This is wrong and my legislation will set a new standard for multilevel marketing companies, like Herbalife International, to increase transparency for would-be sellers and investors, and hold them accountable,” **said Senator Klein.**

The shocking undercover video footage shows Herbalife CEO Michael Johnson encouraging Herbalife employees to focus on recruitment. He calls bringing in new potential distributors as “the most vital part of our bloodstream.”

Disturbingly dubbed “The Hunters,” the Herbalife CEO brags on tape about how effective their recruiters are at roping in low-income people. “Cab drivers and bus boys and waiters. Everybody, he doesn’t care who it is. Boom— he’s got them in this game.”

In another part of the video, an Herbalife recruiter parallels the Herbalife executive’s emphasis on recruitment above all. He goes on to promise a roomful of people a monthly income of “a minimum of \$20,000.” The video later shows a distributor promising a miracle cure to asthma for users.

Senator Klein rolled out his “Multilevel Marketing” legislation during the 18th Anniversary of National Consumer Protection Week. The bill aims to increase oversight and require full financial disclosure of multilevel distribution companies by requiring that companies disclose information on open investigations, total sales generated by distributors, the average and median incomes earned by distributors for the company, and other information aimed at increasing transparency.

The bill would additionally require that these companies provide all prospective distributors information about the benefits, risks, and actual effects of each product, service and business opportunity in the distributor’s primary language. Companies who violate these transparency requirements would be subject to fines of up to \$10,000.

“It is a shame Herbalife is out to defraud people of their life savings. Most hurt by this pyramid scheme are newly arrived undocumented people in search of the American Dream. I lost close to \$100,000 between the training sessions, running my nutrition club, and the extravaganzas I attended. I was completely brainwashed by this company. I wholeheartedly support Senator Klein’s legislation to prevent future stories like mine,” **said Camilo Rosario, an Herbalife victim.**

“I invested close to \$20,000 in products and business expenses after I opened up an Herbalife nutrition club. But even more devastating is that I almost lost my wife because of this company and all of its false promises. I have long called for this company to be investigated. It is good to know there are legislators like Senator Klein who work to protect consumers from scams. I am 100 percent in support of his legislation,” **said Luis Naranjo, an Herbalife victim.**

“This bill is a step in the right direction for ending a pernicious type of consumer fraud afflicting our communities. New Yorkers need broader protections against businesses and individuals who continue to sell empty promises of financial success. The decision to engage in a business venture should be an informed decision: one based on facts and reliable data, and not based on false promises that exploit vulnerable New Yorkers’ hopes and expose them to financial ruin. Senator Klein’s proposal mandates the kind of transparency that would help to prevent such predatory business practices,” **said Make the Road New York Consumer Fraud Prevention Program Coordinator Francisca Montana.**

“We want to make sure that those who feel they have been victims of fraud know who to complain to in government and know that there are legislators who will make sure this could never happen again. I’m glad that we have elected officials like Senator Klein helping victims to stand up against big corporations,” **said Fanny Hernandez, Community Organizer for the Juan Pablo Duarte Foundation.**