



NEW YORK STATE SENATOR

Jeffrey D. Klein

## Klein & Moya urge Federal Trade Commission to take serious action against Herbalife International

JEFFREY D. KLEIN May 25, 2016

| ISSUE: **CONSUMER PROTECTION, BUSINESS, REFORM, LEGISLATURE**

*As probe of multi-level marketing company comes to an end, legislators write to FTC Chairwoman to protect consumers from financial harm*

**Albany, NY — Senator Jeff Klein (D-Bronx/Westchester) and Assemblyman Francisco Moya (D-Jackson Heights)** on Wednesday wrote to Federal Trade Commission Chairwoman Edith Ramirez to urge that federal regulators probing Herbalife International consider injunctive relief that includes sweeping reforms to the multi-level marketing companies business models to shield consumers from financial harm and fraud.

The FTC has been investigating Herbalife International and is reportedly near to announcing a resolution in the probe. Hundreds of former Herbalife distributors have submitted complaints to state and federal authorities, each after losing thousands of dollars to the company.

Senator Klein and Assemblyman Moya recommended that the FTC require Herbalife to document and disclose its retail sales to participants who are not in the distributor network, and release the average income and commissions earned by independent distributors.

“Herbalife should also be required to disclose to the public where nutrition clubs are located and provide regulators proof that these businesses comply with state and federal labor laws. Additionally, rewards designed to incentivize recruitment (e.g. Production Bonus) and the product purchasing requirements that encourage so-called inventory loading should be removed immediately,” **Klein and Moya wrote.**

Klein introduced legislation to protect consumers against multi-level marketing companies like Herbalife and level penalties against such companies that employ deceptive practices. Assemblyman Moya recently introduced companion legislation.

In New York City, Herbalife nutrition clubs are located in predominantly Hispanic neighborhoods. Lured by the promise of a “great business opportunity” where the American Dream of entrepreneurship is glamorized through testimonials where sellers say they earn millions, live in mansions and take extravagant trips, many wind up losing their life-savings.

Through a series of undercover investigations and victim interviews, Senator Klein has exposed Herbalife as a pyramid scheme, where distributors desperately try to climb up a ladder as they continue to invest.

Klein and Moya’s legislation would increase transparency, educate consumers and impose penalties on companies that do not comply with the law.

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#### RELATED LEGISLATION

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**2015-S6983**

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- Introduced
  - - In Committee Assembly
    - In Committee Senate
  - - On Floor Calendar Assembly
    - On Floor Calendar Senate
  - - Passed Assembly
    - Passed Senate
  - Delivered to Governor
  - Signed By Governor
  -

Regulates multilevel distribution companies

March 11, 2016

In Senate Committee Consumer Protection

Sponsored by Jeffrey D. Klein

Do you support this bill?