

Preliminary Expert Report - Stacie A. Bosley, Ph.D.

Case Information

1. This report was written at the request of Dickinson Wright PLLC, plaintiff's attorneys in *Aboltin v. Jeunesse LLC, et al.*, Case No. 6:17-cv-1624-Orl-40KRS, in United States District Court for the Southern District of Florida, and addresses the business activities of Jeunesse, LLC aka Jeunesse Global, Incorporated.

Expert Qualifications

2. My name is Dr. Stacie A. Bosley. I have a doctoral degree in Applied Economics from the University of Minnesota. In my capacity as an associate professor of economics at Hamline University, I research multilevel marketing, direct selling and pyramid schemes. I have written multiple working papers on these topics, ranging from an analysis of direct selling around the world to an examination of the relationship between domestic economic conditions and multilevel marketing activity. I published a 2015 paper in the *Journal of Public Policy and Marketing*¹ that addresses the intersection of multilevel marketing and pyramid scheme activity as well as a forthcoming paper in the *Journal of Financial Crime* that analyzes community-level risk factors associated with pyramid scheme victimization.² I have also presented research on these topics at numerous economics conferences around the country. My most recent research project explores pyramid scheme victimization and individual risk factors using an economic experiment. Beyond academic research, I have served as an expert witness for the Federal Trade Commission in *FTC v. Vemma Nutrition Company*, Case 2:15-cv-01578-JJT, submitting multiple written declarations and testifying in a 2016 preliminary injunction hearing. I have been interviewed by media outlets and have participated in national conversations on multilevel marketing and associated policy and regulation. With respect to specific federal legislation and regulatory rule changes, I have submitted formal comments and published a recent opinion piece.³

¹ Bosley, S. & McKeage, K. (2015). Multilevel Marketing Diffusion and the Risk of Pyramid Scheme Activity: The Case of Fortune Hi-Tech Marketing in Montana. *Journal of Public Policy & Marketing*, 34(1), 84-102.

² Bosley, S. & Knorr, M. (forthcoming). Pyramids, Ponzis, and Fraud Prevention: Lessons from a Case Study. *Journal of Financial Crime*.

³ See Bosley, S. (September 29, 2017). Flawed Anti-Pyramid Act Reflects Confusion Over Past and Present. *Morning Consult*. available at <https://morningconsult.com/opinions/flawed-anti-pyramid-act-reflects-confusion-past-present/> and Bosley, S. (2013). Comments Regarding the Federal Trade Commission's Rule Concerning Cooling-Off Period for Sales Made at Homes or at Certain Other Locations, Project Number P087109.

3. My university teaching focuses on microeconomics, quantitative analysis, managerial economics and behavioral economics. Each of these areas is relevant to the analysis presented in this report. Microeconomics is the study of individual decision-making and responses to incentives. Behavioral economics examines decision-making with a special focus on cognitive biases and errors in judgment. Quantitative analysis provides a background in analytical approaches to understanding data and patterns. Lastly, Managerial Economics studies decision-making inside businesses and organizations. An understanding of the actions of the firm (e.g., in setting compensation policies and procedures) and the actions of the individual (e.g., in joining and participating in a business opportunity) are highly relevant to the analysis that follows. A true and correct copy of my curriculum vitae is attached as Appendix A.

Sources Reviewed

4. The purpose of this report is to analyze the Jeunesse marketing program to determine whether it is a pyramid scheme. As this report represents an initial assessment of available materials, the opinions herein are primarily based upon materials accessible to the public or Jeunesse distributors at large.

5. For the purposes of this analysis, I have reviewed all English language materials available in the Jeunesse BackOffice, including all elements of "Important Forms," "Important Information," "Compliance," "Jeunesse Marketing Tools," and "EXPO Thailand Event Materials." I have also reviewed the 2014 and 2016 Jeunesse Income Disclosure Statements, the GamePlan (found within the Jeunesse Starter Kit), and all elements of the distributor agreement including the Financial Rewards Plan, Terms and Conditions, and Policies and Procedures. Where multiple versions of these documents are available, I have reviewed them to identify changes to the distributor agreement. In terms of audio and visual files, a listing of reviewed materials is provided in Appendix B, with the understanding that this does not represent an exhaustive or fully representative set of all possible audio or visual files. Beyond the materials already mentioned, I have reviewed the Business Development Agreement with Matthew Nestler, the Sales Payment Guarantee Agreement with Michael Merino, and an audio recording of Kevin Giguere discussed further in paragraph 30.

Scope of Assignment and Conceptual Framework

6. For purposes of my analysis of the Jeunesse program, I will apply two related descriptions of a pyramid scheme: one being a general economic characterization and, the other, a definition borne of relevant court findings related to multilevel marketing programs known as the *Koscot* test.⁴

7. From an economic perspective, a pyramid scheme exists when a compensation plan is structured to create a perpetual recruitment chain that dooms the vast majority of participants to financial loss. It requires ongoing recruitment as new entrants must recruit others in order to cover their own personal investment. When a new participant recruits others, all individuals who join become part of her "downline," while those above her are considered her "upline." Downline activity (recruitment and associated payments/purchases) is needed in order to cover participation costs and potentially achieve advertised earnings. While the compensation plan details may vary, the essence of the system is that earnings are dependent on the ongoing ability to recruit others into the same system. By design, this creates a system where the vast majority of participants cannot recoup their personal investment. As long as recruitment continues, membership grows at an exponential rate. At any moment in time, the most recent entrants make up the vast majority of membership. This majority is the very group that is in a position of financial loss, as they have not acquired the downline recruits necessary to offset personal investments. By nature of the structure itself, a pyramid scheme is a money-transfer scheme that siphons money from later entrants to compensate earlier entrants, delivering easily foreseen losses (from a structural perspective) to the vast majority of participants.

8. It should be noted that the outcomes of exponential growth and widespread losses, articulated above, are expected at any point in time and do not require that the firm has reached market saturation. Loss rates are not accidental and can be anticipated given the recruitment incentives inherent in the compensation plan. As the promised rewards are realized only if successful recruitment continues indefinitely, positive earnings suggestions are inherently deceptive and cannot be fulfilled for the overwhelming majority of participants. The absolute number of people who will ultimately be harmed (left with loss positions) grows exponentially as the organization expands. Many participants will exit when recruitment becomes more difficult. New recruits then take the place of the recent dropouts, creating a churning base. Most in the churning base will lose

⁴ The definitions used in this report are adapted from the definitions in a peer-reviewed article by William Keep and Peter Vander Nat (Keep, W. & Vander Nat, P. (2014). Multilevel marketing and pyramid schemes in the United States: An historical analysis. *Journal of Historical Research in Marketing*, 6(2), 188–210).

money while a few advance to higher levels of the organization. The vast majority of overall participants are not expected to earn enough to cover their personal investment.

9. While pyramid schemes can take a relatively simple form (e.g., gifting scheme or chain email/letter solicitation), they can also be embedded within a business opportunity that offers a product or service for sale. The *Koscot* test (1975) addresses this type of business structure. The *Koscot* analysis assumes a direct selling context where participants make payments that entitle them to earn based on subsequent sales and recruitment, either direct (sales or recruitment by the participant him/herself) or indirect (sales or recruitment by those in his/her downline). Such structures are commonly known as network marketing or multilevel marketing (MLM) programs. The *Koscot* analysis applies the general economic characterization of a pyramid scheme to a specific context - that of multilevel marketing - and is used by the courts to distinguish between legal multilevel marketing programs and pyramid schemes. The *Koscot* test states that a pyramid scheme, organized and promoted as an MLM, is characterized by the payment by participants of money to the company in return for which they receive (1) the right to sell a product and (2) the right to receive in return for recruiting other participants into the program rewards which are unrelated to sale of the product to ultimate users.

10. The *Koscot* test, which was adopted by the FTC in 1975, has been affirmed in multiple Federal court opinions including *Omnitrition* (1998), *Gold* (1999) and *Burn Lounge* (2014). In addition to the *Koscot* test, I will apply two principles from the 9th Circuit's decision in *Burn Lounge* that are relevant to the second prong of the *Koscot* test. The first principle is that program participants may only be considered "ultimate users" if the participants purchase the products for personal consumption based on consumer demand, not primarily for the purpose of participating fully in the rewards under the compensation plan for the business opportunity. The second principle is that, in order for the second prong of the *Koscot* test to be satisfied, it is not necessary for compensation to be completely unrelated to sales to ultimate users. Stated another way, the existence of some sales to ultimate users for purposes of consumption does not prevent a plan from being an illegal pyramid structure.

11. The Sections that follow set forth my analysis and include: 1) an overview of the company and a summary of preliminary findings; 2) a review of the Jeunesse Financial Rewards Plan (i.e., compensation plan); 3) an analysis of the relative role of retail and recruitment; 4) evidence of

induced purchases; 5) a review of established safeguards; 6) a discussion of income representations; and 7) additional aggravating factors.

Company Overview and Summary of Preliminary Findings

12. Jeunesse Global was founded in 2009 and utilizes a multilevel marketing structure to sell anti-aging and health-related products through a network of independent distributors in the US and abroad. As described within the company's Financial Rewards Plan, Jeunesse provides the "opportunity to create wealth," "secure your personal financial future," and generate income that is "directly related to your efforts" - "YOU Control your destiny." Distributors join by signing the Distributor Agreement and paying \$49.95 for a Starter Kit, which provides access to business support systems including the BackOffice and personal website. Distributors are authorized to purchase Jeunesse products at the wholesale price, sell products to external retail customers from personal inventory, sell products through the distributor's website to online customers, and recruit others to become Jeunesse distributors.

13. Based on a review of the materials described in paragraph 5, it is my judgment that Jeunesse is operating as a pyramid scheme, both under the general economic characterization of pyramid scheme (described in paragraphs 7 and 8) and the *Koscot* test (described in paragraphs 9 and 10). Distributor compensation is overwhelmingly triggered by recruitment and recruitment-associated purchases, not retail sales. Internal purchases are largely induced by the incentive structure and distributor training within the Jeunesse marketing program, not genuine consumer demand for the Jeunesse products. As discussed in paragraph 10, this finding is valid even if there are some external retail sales and/or some share of internal ultimate user consumption, so long as distributor rewards are predominantly tied to rewards that are unrelated to genuine market demand (i.e., product sales to ultimate users). Furthermore, even when an MLM pay plan does not explicitly compensate for the recruitment of a new distributor, MLM compensation is deemed to be recruitment-based if new distributor recruitment induces payments and product purchases that lead to rewards and compensation for the sponsor and/or her upline.

14. While some Jeunesse compensation is likely tied to sales to ultimate users (internal and external), the compensation and training system is designed to predominantly compensate participants for recruitment of new distributors through a system of induced purchases. I find that Jeunesse has failed to appropriately represent likely earnings to new recruits and has not instituted

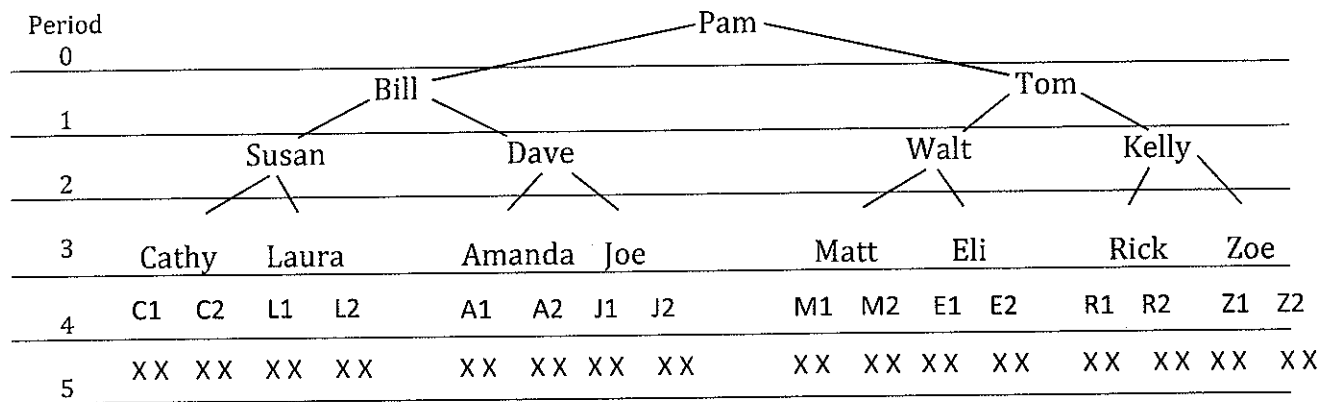
sufficient safeguards to mitigate the risk factors inherent in the company's marketing program. Beyond these issues, the company has engaged in additional behaviors, described further in paragraphs 30 and 31, that could serve to compound the harm and risk to consumers.

The Jeunesse Financial Rewards Plan (Compensation Plan)

15. Jeunesse's Financial Rewards Plan identifies six potential sources of income for distributors: Retail Profit, New First Order Bonus, Team Commissions, Leadership Matching Bonus, Customer Acquisition Incentive and Diamond Bonus Pool. With the exception of the first two income sources, distributors must be active and qualified to earn rewards. To satisfy this eligibility criteria, the distributor must purchase a minimum quantity (100 volume points) within a month and then maintain a monthly minimum thereafter (60 volume points). She must also recruit two new distributors who meet minimum purchases thresholds.

16. Team Commissions, Matching Bonuses and the Diamond Bonus are determined by the distributor's downline organization and volume flowing within that structure. The Jeunesse distribution network is built on a binary multilevel structure, where each distributor has two legs to her downline organization, referred to as her left and right teams. The distributor can build her downline with personally sponsored recruits, placing those recruits in her left or right team, and can also encourage those recruits to bring in new individuals (and those recruits do the same). Figure 1 provides a visual illustration of this binary structure. While some illustrations of the Jeunesse network illustrate two customers (non-distributors) along with the downline distributor network, most depict the organizational structure just as it is depicted in Figure 1. As will be discussed in more detail below, commissions and bonuses are tied to the volume of products purchased within the binary organization – these payments are not tied to verified sales to ultimate users.

Figure 1: Downline Illustration of a Binary MLM Structure



Limited Incentives for Retail Sales

17. Jeunesse has not historically required distributors to sell to customers outside the Jeunesse distributor network. In the company's Policies and Procedures document, section 8.6 states the following: "In order to qualify for any compensation payable under the Jeunesse® Rewards Plan, a distributor should make retail sales to the ultimate consumer." This policy is a departure from industry standards, as multilevel firms typically adopt some form of a minimum "retail customer rule," as will be discussed further in paragraph 27.

18. Through training videos and materials, distributors are encouraged to devote time and energy to recruitment of new distributors, not retail sales. In The GamePlan document, found in the Starter Kit, "The Perfect Launch" begins with identifying the "10 best" and "10 easiest" contacts who might be interested in Jeunesse. There is no explicit mention of selling products to these individuals, only pitching the business opportunity: "First, identify ten or more people you know who you believe would be the most capable Distributors.... You will also want to identify your "Easiest people – people who you have a close relationship with, and who you believe will be interested in the business."

19. In trainings by Steve Miller (How to Maximize the Jeunesse Global Compensation Plan) and Linda Miner (Jeunesse Global Compensation Plan), any mention of retail sales is overshadowed by the simple plan for success, centered on recruitment of new distributors. After joining and purchasing the \$49.95 Starter Kit, the new distributor is instructed to follow these essential steps: 1) activate by purchasing a package (choosing between packages from \$199.95 to \$1049.95), 2) qualify by recruiting two distributors who activate, and 3) teach those distributors to duplicate this

same process (i.e., activate, then qualify by recruiting two who will take the same actions). Jeunesse Diamond Director Kim Hui emphasizes the same essential steps in her New Distributor Orientation Training video: recruit, train to duplicate, and create a “duplicating machine.” Miller also notes the need to stay active during this process, with minimum monthly personal purchases (60 volume points or more). None of these steps involve solicitation of retail sales outside the distributor network. If a new recruit were to follow these suggested steps literally, all purchases (both her own and those of her downline members) would be tied to a desire to participate in the Jeunesse business opportunity rather than being driven by pure consumer demand for the Jeunesse products.

20. Kim Hui, in her new Distributor Orientation Training video, speaks of retail commissions as de minimis relative to other forms of compensation. Hui states: “That will be the smallest pay you will ever get. I forget about retail commissions for me. But ah, I am in this not to sell product, I am in here to build a global distribution.” When you have an effective product, “people will naturally want to buy it, so I don’t focus too much of my time on selling the product. I am not a salesperson, I am a business builder.” Later in the same training video, Hui again emphasizes the importance of recruiting distributors over retailing product: “We build and grow our business by recruiting, okay, now recruiting what? Recruiting business partners. Recruiting entrepreneurs. Recruiting business builders. Okay. I do not go there and look for customers. Customers, you know, for those who say no to the opportunity, they will be my customers.”

21. As Hui, Miller and Miner discuss relative financial rewards, all significant earnings seem to derive from Team Commissions, Matching Bonuses, and the Diamond Bonus pool. Hui, Miller and Miner all note the \$26,250 weekly maximum on Team Commissions and emphasize the fact that many in the firm are already “maxing out” each period. Miller describes Team Commissions as a “jet stream of momentum that will carry you to riches.” Each of these trainings describe the Matching Bonuses and Diamond Bonus pool as additional incentives for following the “activate, qualify, duplicate” protocol. Cedric Harris (in Yes to Jeunesse! With Team Take Over! Webinar) asks the trainees to consider the power of \$20,000 to \$40,000 per month in passive income. Based on my analysis of the Financial Rewards Plan and the context of his statement, I believe he is referring to income generated by Team Commissions, Matching Bonuses, and Diamond pool payouts, not commissions based on sales to ultimate users.

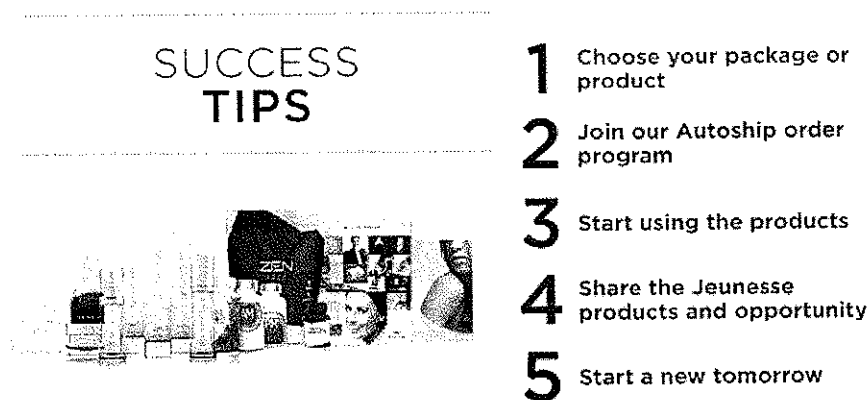
22. In summary, while incentives for retail sales do exist in the form of retail sales commissions, Get 2 Program, Customer Acquisition Incentive and New First Order Bonus (to the extent that retail customers purchase the associated product packages), I believe that these incentives are dwarfed by the relative size and promises of the other types of compensation in the Financial Rewards Plan. In addition, Jeunesse training appears to systematically direct distributors to spend time and energy on recruitment of new distributors, providing little support or encouragement for retail sales to out-of-network customers. Beyond training and relative financial incentives, there has not been a requirement to maintain a minimum threshold of retail sales.

Incentives to Purchase

23. While the company frequently states that there are no mandatory product purchases, distributors are trained and incentivized to make personal product purchases, both when they join and on an ongoing monthly basis. As described in paragraph 19, new distributors are trained to purchase a product package and are frequently encouraged to purchase the most expensive packages. In Miller's presentation, How to Maximize the Jeunesse Global Compensation Plan, he describes the activation purchase as "flipping on a light switch." Both Miller and Hui note the relative benefits of purchasing the Jumbo package (priced at \$1049.95) to attain the greatest benefits. Hui suggests this is a "no-brainer" that will "jumpstart" your success while Miller notes that others will imitate what you have done (i.e., buy the bigger package if you have done so yourself).

24. Beyond this initial package purchase, the company heavily promotes the use of monthly autoship (minimum 60 volume points per month) to ensure sustained qualification and sufficient inventory on hand. Figure 2 is one example of the routine promotion of product packages and autoship as part of the new distributor protocol. Autoship and minimum package purchases are further incentivized as qualifying criteria for specific bonuses and promotions. For example, a distributor can only receive the benefits of the Get 2 Program if she is enrolled in monthly autoship and annual renewal fees are waived for a distributor who has sufficient autoship volume in the prior year. Minimum package purchases were required to participate in the North American Ignite promotion.

Figure 2: 2016 US Jeunesse Opportunity Presentation (slide 28)



25. These “pay to play” purchases are encouraged both to ensure personal qualification and to establish the steps that should be duplicated by downline members. As described in The GamePlan, “Your First 4 Steps” begin by directing the new distributor to order a product package and enroll in the autoship program, ideally in the first 48 hours of participation. The role of autoship is well established in Jeunesse, so much so that the monthly payment periods are referred to as “autoship periods.” The New Member Sign-up Instructions state that “All members are highly recommended to enroll in the autoship program to enjoy the following benefits:

- Worry-free monthly qualifications.
- Never being without product.
- Never flushing your points.”

These purchases have no explicit connection with genuine consumer demand. In my opinion, there is no expectation that these purchases would be made if not bundled with the income opportunity and the suggested rewards therein.

Safeguards

26. Having found that Jeunesse’s program grants rewards that are predominantly unrelated to actual sales to ultimate users, and encourages and incentivizes participants to seek those rewards, I next consider whether the company has “safeguard” policies and procedures that are sufficient to ensure that adequate retail sales to ultimate users exist and inventory loading⁵ is prevented. As noted in *Omnitrition* (1996): “Where, as here, a distribution program appears to meet the *Koscot* definition of a pyramid scheme, there must be evidence that the program’s safeguards are enforced

⁵ Keep and Vander Nat (2014) define inventory loading as “purchases of inventory just to meet volume targets that grant multilevel rewards.” See footnote 6 for full citation.

and actually serve to deter inventory loading and encourage retail sales.” Such safeguards are necessary, as a structure with insufficient retail sales will inevitably generate a pyramid scheme that relies on ongoing recruitment to fund commission payments, matching the general economic characterization of a scheme described in paragraphs 7 and 8. As established in paragraphs 9 and 10, the *Koscot* test also hinges on the existence of significant sales to ultimate users. In *Amway* (1975), the FTC found that Amway was not operating a pyramid scheme because it had adopted and enforced certain procedures to prevent inventory loading and to ensure that actual retail sales existed. As noted in *Omnitrition* (1996), the safeguard “policies adopted by Amway were as follows: (1) participants were required to buy back from any person they recruited any saleable, unsold inventory upon the recruit’s leaving Amway, (2) every participant was required to sell at wholesale or retail at least 70% of the products bought in a given month in order to receive a bonus for that month, and (3) in order to receive a bonus in a month, each participant was required to submit proof of retail sales made to ten different consumers.” These safeguards must be stated, enforced, and effective.

27. The objective of the set of safeguards would be to encourage sufficient sales to ultimate users who purchase for the purpose of personal consumption. I see no evidence of safeguards that would be effective to deter inventory loading and sufficiently encourage retail sales to ultimate users. While Jeunesse has a 70% rule, it operates though self-verification, it can be satisfied by personal consumption, and there is no evidence of explicit penalties in the company’s policies and procedures. On its own, it does nothing to prevent distributors from making purchases for the purpose of qualification and “pay to play” behavior. As already stated, Jeunesse has historically not had a minimum customer requirement. The recent addition of a potential 2-customer rule does little to incentivize significant retail sales. The purchases can be in any amount and contribute very little to overall distributor compensation. The company’s refund policy is challenged by a number of limitations: required distributor payment for shipping and handling, restrictions based on resalability of the product, required resignation, and by reversal of commissions for the distributor and her upline. Taken together, the Jeunesse policies do not represent sufficient protective safeguards that would minimize the opportunity for pyramid scheme fraud.

Representation of Distributor Earnings

28. In my opinion, Jeunesse distributors are brought into a pay-and-recruit structure that is inherently unfair and deceptive. Beyond the structural problems within the compensation plan and

training methods, there are also indications that earnings representations made by the company and its high-level distributors are routinely deceptive. As already mentioned, trainers frequently mention the Team Commission maximum without providing information on the typical commissions earned by past distributors. References are made to six-figure or eight-figure incomes (e.g., in Kim Hui's New Distributor Orientation webinar) and lifestyle claims suggest significant wealth potential. For example, a slide in the Cedric Harris webinar (Yes to Jeunesse! With Team Take Over!) includes a picture of a \$100,000 bonus check with no contextual information to indicate the likelihood of such income. The typical disclaimer, if one is provided, suggests that lack of success is attributable to lack of commitment, effort or talent. As stated in the Financial Rewards Plan: "Any representation or guarantee of earnings, whether made by Jeunesse or another distributor, would be misleading. Success with Jeunesse results only from one's individual successful sales efforts, which require hard work, diligence, and leadership. Your success will depend upon how effectively you exercise these qualities."

29. The company's own Income Disclosure Statements further exacerbate the problem of inaccurate earnings representations. In both the 2014 and 2016 disclosures, the company presents information for a select subset of distributors by removing inactive distributors as well as those distributors converted to Wholesale Customer status. As described in section 2.9 of the Policies and Procedures document, all distributors who fail to achieve certain distributor outcomes in any 90-day period can be automatically converted from distributor to Wholesale Customer status. Section 2.9 states: "Jeunesse and the Distributor agree that if the Distributor fails to (i) sponsor a new Distributor, (ii) sign up a customer, or (iii) earn commissions during any consecutive ninety (90) day period, such lack of activity is indicative of a desire to consume products and not to be a Distributor. In such cases, Jeunesse may, in its sole discretion, terminate the Agreement and convert the status of the Distributor's account to a Wholesale Customer." It is important to note that the Wholesale Customer can maintain her position in the distribution network, as well as any point volume achieved, so long as she remains active with a minimum monthly purchase. The Wholesale Customer can be converted back to distributor status, simply by clicking a button in the Jeunesse BackOffice – there are no other fees or impediments to re-entry. The conversion process serves to alter the income disclosure statement by significantly altering the pool of active distributors at any one time and gives the appearance of a more favorable customer-to-distributor ratio (as described in the Leadership Training Customer Conversion video). The Income Disclosure Statements,

combined with the income and lifestyle suggestions made by the company and top distributors, likely serve to distort the recruit's understanding of the earning potential in Jeunesse.

Business Development Agreements and Tokens

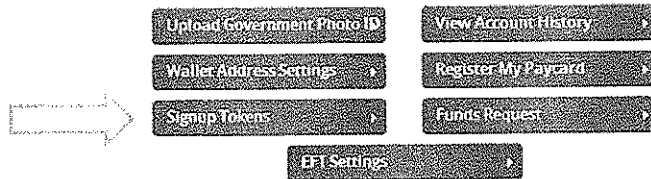
30. Two practices cause additional concern as they appear to violate Jeunesse's own policies and are expected to create additional consumer risk and harm: Business Development Agreements (or BDA's) and Tokens. A BDA (also known as a Sales Payment Guarantee Agreement) compensates a high level MLM distributor in another organization when they enter Jeunesse, activate and qualify as a Jeunesse distributor, and achieve target volume thresholds. These volume thresholds are quite aggressive and can presumably only be satisfied when the BDA recipient brings his downline over from the competing MLM organization. Beyond the significant supplemental earnings – earnings that are not available to other Jeunesse recruits nor disclosed to recruits or current distributors – the BDA recipient is given favorable starting placement in the distribution network. In the conference call between Kevin Giguere and potential recruits in a competing MLM, Giguere suggests that these deals are lucrative and extremely common within Jeunesse. If true, these contracts represent a direct payment for recruitment as retail sales appear to play no role in these arrangements. Furthermore, the existence of private compensation agreements, not available or advertised within the company's Financial Rewards Plan, severely aggravates the existing problems of misleading earnings representations.

31. Another troubling practice is the use of Tokens, described in the company's Payment Methods document available in the Jeunesse BackOffice. According to this document, an upline member can create a Token (for a fixed sum of money or unlimited amount) and generate a Token name. This Token name is then given to the downline distributor and can be used for full or partial payment of that downline member's purchase. Figure 3 is an image taken from the Payment Methods document which illustrates the mechanics of this process. While the company's Policies and Procedures document prohibits a distributor from using her credit card for another customer or distributor's purchase, the Token system appears to be available for that very purpose. Such a system allows for strategic purchases and enrollment and, as such, has the potential to enable significant pay-to-play activity. Taken together, BDA's and Tokens further suggest that the Jeunesse Financial Rewards Plan and associated compensation are only superficially tied to genuine demand for Jeunesse products.

Figure 3 – Instructions for Tokens in the Jeunesse Payment Methods Document

Signup tokens

Pay for orders for your downline by creating signup tokens. Click "signup tokens" on the wallet home page



Select unlimited or a specific maximum amount, enter a unique token name and click "create."

ADD TOKEN

Amount: ☐ Unlimited ☒ \$150

Token:

Token added

SIGNUP TOKENS							
Date Entered	Token #	Token	Amount	Delete	Use Date	Used By	Order
4/18/2014 2:43:42 PM	208550	Mike5	\$200.00	<input checked="" type="checkbox"/>			
4/18/2014 2:43:06 PM	208549	Clairret	Unlimited	<input checked="" type="checkbox"/>			

Tell the token user to select token as the payment method for their order and enter the token issuers username and the name of the token.

32. Considering the evidence currently available, it is my expert opinion that Jeunesse is operating a pyramid scheme, disguised as a multilevel marketing organization. The anticipated result of Jeunesse's program is an endless recruitment chain, with a strong emphasis on recruitment over sales to ultimate users. At any moment that the scheme is analyzed, analysis indicates that the vast majority of participants will be in a loss position. Internal data from Jeunesse would provide additional detail on how the program operates in practice and would assist in calculating the scale of consumer injury, but I am confident it would confirm my judgment that Jeunesse is a pyramid scheme.

33. I understand that this declaration may be used in a law enforcement proceeding. Pursuant to 28 USC Section 1746, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge and belief.

Stacy A. Buz

Stacie A. Bosley

Appendix A – Curriculum Vitae

STACIE A. BOSLEY

Associate Professor of Economics
Hamline University
Saint Paul, Minnesota

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651-523-2436

EDUCATION	Ph.D. in Applied Economics – University of Minnesota (2001) BBA in Finance – University of Wisconsin-Madison (1994)
ACADEMIC	University of Minnesota: Visiting Scholar in Applied Economics (2017-present)
EXPERIENCE	Hamline University: Associate Professor, Economics (2017-present) Hamline University: Assistant Professor, Economics (2011-2017) Hamline University: Visiting Assistant Professor and Adjunct Instructor (2002-2011) Macalester College: Visiting Assistant Professor (2003-2005) University of Wisconsin River Falls: Adjunct Professor (1999-2000)
COURSES TAUGHT	Microeconomic Principles, Intermediate Microeconomics, Behavioral & Experimental Economics, Labor Economics, Introduction to Business Analytics, First Year Seminars (“Our Wal-Mart World” and “Are You ‘Predictably Irrational?’”), Macroeconomic Principles, Intermediate Macroeconomics, Managerial Economics (for undergraduate and MBA students), and Statistics
HONORS AND AWARDS	Hamline School of Business Dean’s Leadership Award (2017) Hamline School of Business Dean’s Teaching Award (2017) Hamline Center for Justice and Law Grant (\$2,500) – Project: Judgment and Decision-Making in a Pyramid Scheme Experiment: Lessons for Active Consumer Education (2017) Nominee for CASE U.S. Professor of the Year Award (2015) Hamline University Faculty Advisor of the Year (2013) Dean’s Leadership Award (2013) Hamline Oracle (student newspaper): Named in Top 10 Hamline Professors (2010) Inducted as Faculty Member in Omicron Delta Kappa (2008) University of Minnesota Doctoral Dissertation Fellow (2000-2001) USDA National Needs Doctoral Fellow (1997-2000)

COLLABORATIVE RESEARCH (competitive research program with undergraduate students)	Informing a Pyramid Scheme Experiment: Exploring the Role of Impulsivity and Cognitive Processing in Judgment and Decision-Making Joining a Pyramid Scheme: The Influence of Risk Preferences in Decision Making Affinity Fraud in Multilevel Marketing: The case of Fortune Hi-Tech Marketing in the U.S. Direct Selling and Economic Growth Bitcoin, Behavioral Economics, and the Austrian School The Minimum Wage and Community College Enrollment in the U.S. Why Here and Not There? A look at participation and growth in direct selling across countries Implications of Light Rail Transit in Minnesota College Greek Participation and Long-term Outcomes Division III Intercollegiate Athletics and Enrollment The Conservation Reserve Program and Hunting Expenditures in Minnesota
PRESENTATIONS	Bosley, S. (2017). Judgment and Decision-Making in a Pyramid Scheme Experiment. Presented at the Agricultural and Applied Economics Research Seminar at the University of Minnesota. Bosley, S. (2016). Global Direct Selling: Do Values and Attitudes Trump Economic Conditions. Paper presented at the annual meeting of the Southern Economic Association, Washington D.C. Bosley, S. & Knorr, M. (2016). How is a Pyramid Scheme like the Ku Klux Klan? Presented at the Saint Olaf Economics Lecture Series, Northfield, MN. Bosley, S. & Knorr, M. (2016). How is a Pyramid Scheme like the Ku Klux Klan? Presented at the Hamline Faculty Research Colloquium, Saint Paul, MN. Bosley, S. (2016). Business Opportunity or Scam: What every college student should know. Presentation to the Hamline Student Body (connected with First Year Seminar program), Saint Paul, MN. Bosley, S. (2016). Pyramid Scheme Membership in Networks: The Role of Affinity, Education and Economic Conditions. Paper presented at the annual meeting of the Eastern Economic Association, Washington D.C. Bosley, S. (2016). How is a Pyramid Scheme like the Ku Klux Klan? Presented at the Hamline School of Business Faculty Research Forum, Saint Paul, MN. Bosley, S. (2015). Business Opportunity or Scam: What every college student should know. Presentation to the Hamline Student Body (connected with First Year Seminar program), Saint Paul, MN. Bosley, S. (2015). Network Analysis of a Pyramid Scheme. Paper presented at the annual meeting of the Midwest Economics Association, Minneapolis, MN. Bosley, S. (2015). Network Analysis of a Pyramid Scheme. Paper presented at the Hamline

- School of Business Faculty Research Forum, Saint Paul, MN.
- Bosley, S. (2015). Business Opportunities ("Biz Opps") on College Campuses. Presentation to the Hamline ODK Student Chapter, Saint Paul, MN.
- Bosley, S. (2015). Business Opportunities ("Biz Opps") on College Campuses. Presentation to the Hamline University Student Congress, Saint Paul, MN.
- Bosley, S. (2014). Learning through Experimentation: Creating an Authentic Experiment with Behavioral Economics Students. Paper presented at the annual meeting of the Western Economic Association, Denver, Co.
- Bosley, S. (2014). Creating Custom Student-Driven Experiments in Behavioral Economics: The Simulation of a Pyramid Scheme. Paper presented at the Hamline School of Business Faculty Research Forum, Saint Paul, MN
- Bosley, S. (2013). Participation and Growth in Direct Selling across Countries. Paper presented at the Southern Economic Association Conference, Tampa, FL.
- Bosley, S. (2013). The Virality of a Pyramid Scheme. Paper presented at the Eastern Economic Association Conference, New York, NY.
- Bosley, S. (2013). The Virality of a Pyramid Scheme. Paper presented at the Hamline School of Business Faculty Research Forum, Saint Paul, MN.
- Bosley, S. (2013). Program Assessment: Process and Progress in the Hamline School of Business. Presented to the Hamline University School of Education, Saint Paul, MN.
- Bosley, S. (2013). Program Assessment. Presented at the Faculty Development Day, Saint Paul, MN.
- Bosley, S. (2012). Labor Supply and Pyramid Schemes: Evidence from a State Settlement. Paper presented at the Eastern Economic Association Conference, Boston, MA.
- Bosley, S. (2012). Labor Supply and Pyramid Schemes: Evidence from a State Settlement. Paper presented at the Hamline School of Business Faculty Research Forum, Saint Paul, MN.
- Bosley, S. (2011). Multilevel Marketing: Liberation or Entrapment. Presented at the National Women's Studies Association 2011 Conference, Atlanta, GA.
- Bosley, S. (2011). Labor Participation in Multilevel Marketing: Is it a Counter-cyclical Industry? Paper presented at Eastern Economic Association Conference, New York, NY.
- Bosley, S. (2011). Labor Participation in Multilevel Marketing: Is it a Counter-cyclical Industry? Paper presented at the Annual Conference of the Society for Advancement of Behavioral Economics, San Diego, CA.
- Bosley, S. (2004). Dead-End Jobs or Stepping Stones? The Long-Run Consequences of Early Industry and Occupation. Paper presented at the Annual Meeting of the Midwest Economics Association, Chicago, IL.

- Bosley, S., Keil J. & Aziz F. (2003). Innovative Pedagogy in the Economics Major: Interactive Learning Techniques That Build Critical Basic Skills. Presented at the Collaboration Faculty Development Conference, Bloomington, MN.
- Bosley, S. (2003). Employment Mobility Among Less-Skilled Women and Men – Are There Long-Run Consequences? Paper presented at the Annual Meeting of the Illinois Economics Association, Chicago, IL.
- Bosley, S. (2001). Complex Job Mobility and Long-Run Outcomes for the ‘Economically At-Risk. Paper presented at the Annual Meeting of the Midwest Economics Association, Cleveland, OH.
- Bosley, S. (2000). The Employment Stability of Less-Skilled Rural Workers. Paper presented at the Annual Meeting of the American Agricultural Economics Association, Tampa, FL.
- Ben-Ner, A., Kong F. & Bosley, S. (1998). Workplace Organization and Human Resources Practices: The Retail Food Industry. Paper presented at the Wharton “Understanding the Service Workplace” Conference, Philadelphia, PA.
- King, R., Ashman S. & Bosley S. (1998). Store-Level Innovation in the Retail Food Industry: The ECR Initiative and Beyond. Paper presented at the Sixth Joint Conference on Food, Agriculture and the Environment. Minneapolis, MN.

**PAPERS/
PUBLICATIONS**

- Bosley, S. and Knorr M. (forthcoming). Pyramids, Ponzis, and Fraud Prevention: Lessons from a Case Study. *Journal of Financial Crime*.
- Bosley, S. (September 29, 2017). Flawed Anti-Pyramid Act Reflects Confusion Over Past and Present. *Morning Consult*. Available at <https://morningconsult.com/opinions/flawed-anti-pyramid-act-reflects-confusion-past-present/>.
- Bosley, S. (March 27, 2017). What social media can teach us about consumer protection. Invited Guest Blog, *Truth in Advertising*. Available at <https://www.truthinadvertising.org/ncpw-social-media-can-teach-us-consumer-protection/>.
- Bosley, S. (2016). Student-crafted experiments “from the ground up.” *The International Review of Economic Education*, 22, 1-7.
- Bosley, S. (2015). Expert Witness Declaration in *FTC v. Vemma Nutrition Company*, Case 2:15-cv-01578-JJT.
- Bosley, S. & McKeage K. (2015). Multilevel Marketing Diffusion and the Risk of Pyramid Scheme Activity: The Case of Fortune Hi-Tech Marketing in Montana. *Journal of Public Policy & Marketing*, 34(1), 84-102.

- Bosley, S. (2013). Comments Regarding the Federal Trade Commission's Rule Concerning Cooling-Off Period for Sales Made at Homes or at Certain Other Locations, Project Number P087109.
- Bosley, S. (2013). Participation in Direct Selling Across Countries: Analysis and Implications. Working Paper.
- Davis, E., & Bosley S. (2007). The Impact of the 1990s Economic Boom on Less-Educated Workers in Rural America: Did the Rising Tide Lift All Boats? *Journal of the Community Development Society*, 38(1), 59-73.
- Bosley, S. (2004). Dead-End Jobs or Stepping Stones? The Long-Run Consequences of Early Industry and Occupation. Working Paper 04-03. The Retail Food Industry Center, University of Minnesota.
- Bosley, S. (2001). Complex Job Mobility and Long-Run Outcomes for the 'Economically At-Risk'. Ph.D. Dissertation, Department of Applied Economics, University of Minnesota.
- Honadle, B.W., Honadle G., Bosley S. & Currie E. (2000). Redefining Local Government Roles in Public Services: A Research-Informed Process Model. *Public Management*, 2(4), 457-475.
- Ben-Ner, A., Kong F., and Bosley S. (1999). Workplace Organization and Human Resources Practices: The Retail Food Industry. Working Paper 00-01. The Retail Food Industry Center, University of Minnesota.

SELECT PRESS

- "Hard to pin down, scammers flourish in Minnesota," *Star Tribune*, September 10, 2017 by Kevin Giles.
- "Why do so many women love LuLaRoe?" *Pacific Standard*, December 15, 2016 by Francie Diep.
- Guest on News and Views with Roshini Rajkumar, *WCCO Radio*, discussing holiday-themed pyramid schemes, December 2016.
- "The Divine Rise of Multilevel Marketing," *Christianity Today*, November 23, 2015 by Kate Shellnutt.
- "MLMs Tap College Campuses for Recruits," *TruthinAdvertising.org*, August 20, 2015.
- Guest on AirTalk with Larry Mantel, *Southern California Public Radio*
- "Tweens get into the direct sales market," June 19, 2014.
- "The Avon Lady always rings twice: direct sales, MLM's, pyramid schemes and the wisdom to know the difference," January 15, 2013.
- "Money between friends: Silicon Valley's embrace of Multilevel Marketing," *Pacific Standard*, September 19, 2014 by Helaine Olen.

"Has your college student been recruited by a questionable MLM?" *TruthinAdvertising.org*, August 26, 2014.

"ZeekRewards scam leaves N.C. town millions poorer," *USA Today*, March 30, 2013 by Mitch Weiss.

"Federal, state regulators shut down Fortune Hi-Tech," *USA Today*, January 28, 2013 by Jayne O'Donnell.

SELECT SERVICE	Faculty Advisor at Midwest Undergraduate Data Analytics Competition (April 2017)
	School of Business - Business Analytics Advisory Board (2016-present)
	School of Business Strategic Plan Design Team (2015-2016)
	School of Business Undergraduate Curriculum & Assessment Committee (2011-present)
	Hamline Committee on Learning Outcomes and Assessment Member (2011-present)
	Hamline University Institutional Review Board (2010-present)
	Search Committee Member for Strategic Management and Digital Media Arts (2015, 2016)
	Hamline University Standing Committee on Sustainability Member (2014-2016)
	Hamline University Assessment Director (2013-2015)
	Hamline University Student Progress Committee (2012-2013)
OTHER EXPERIENCE	Hamline Plan Revision Taskforce Chair (2012-2013)
	Hamline Center for Justice and Law - Associated Faculty (2016-present)
	Minnesota Economic Association President-Elect (2017)
	Minnesota Economic Association Board Member (2016-2017)
	Expert Witness in <i>FTC v. Vemma Nutrition Company</i> (2015-2016)
	Article Referee for the following journals: <i>International Review of Economics Education</i> , <i>International Journal of Pluralism and Economics Education</i> , <i>Journal of Global Marketing</i> and <i>Communications in Nonlinear Science and Numerical Simulation</i>
	Consultant and Systems Analyst for Accenture (1994-1997)

Appendix B – Audio/Visual Materials Reviewed (beyond those found in BackOffice files)

Title	Type
How to Maximize the Jeunesse Global Compensation Plan	video
Jeunesse Global Compensation Plan by Linda Miner #youthrestored	video
Jeunesse Mlm. Kevin (Giguere) recruiting call	audio
Kim Hui New Distributor Orientation Training	video
Yes to Jeunesse! With Team Take Over! – Cedric Harris – Webinar 11-30-14	video

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