Diving for Dollars

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ing claims that the products cure or mitigate disease.

Despite that, Jan Margosian, who handles consumer issues for the Oregon Department of Justice, says her office has received "hundreds of complaints" statewide about Cell Tech.

She says some callers say the products made them sick. More often, the calls revolve around members' complaints that they didn't experience the income enhancement they felt they were promised.

A Cell Tech brochure says distributors can pump up their personal incomes by an "extra $500 or $1,000 per month, up to $10,000, $20,000 and more."

(Stapley estimates he made about $400 in commissions in June with relatively minor effort.)

Margosian says the complaints are being referred to the Federal Trade Commission, which is looking into claims involving Cell Tech.

Some people view multilevel marketing with skepticism because they associate it with pyramid schemes, which, under Oregon law, are illegal. According to the attorney general's office, a typical pyramid scheme involves a few individuals at the top who recruit a few participants, who in turn recruit other participants. Recruits are often offered the promise of large sums of money if they successfully bring in others who pay money to join the pyramid.

Pyramid schemes focus on the exchange of money and recruitment, and usually there is no legitimate product being sold.

According to Margosian, pyramid schemes may be disguised as chain letters, buying clubs or mail-order operations.

(One 30-year-old lesbian we talked with says she dumped $500 into what sounds like a pyramid chain-letter scheme, making just $60. She's since opted for a career in real estate.)

State officials say the sale of legitimate products is what distinguishes multilevel operations from pyramids. When the emphasis is on recruiting new members rather than selling something of value, the organization is probably an illegal pyramid.

Pyramid schemes invariably fail when a few people drop out or refuse to pay, and new members are not recruited in their place.

In order for a pyramid scheme to profit, there would have to be a never-ending supply of not only potential but willing participants.

"Pyramids inevitably collapse, because it is mathematically impossible to recruit the number of people required to support the pyramid," Margosian says, adding: "All pyramids are multilevel, but not all multilevels are pyramids. It's a fine line."

Multilevel marketers that have withstood the test of time—and proven lucrative to some participants—include Amway and cosmetics giant Mary Kay. Major enterprises, particularly telephone companies—are also linked with multilevel marketing, including AT&T, MCI and Sprint.

Some gay men and lesbians (like members of other communities) are drawn to multilevel marketing.

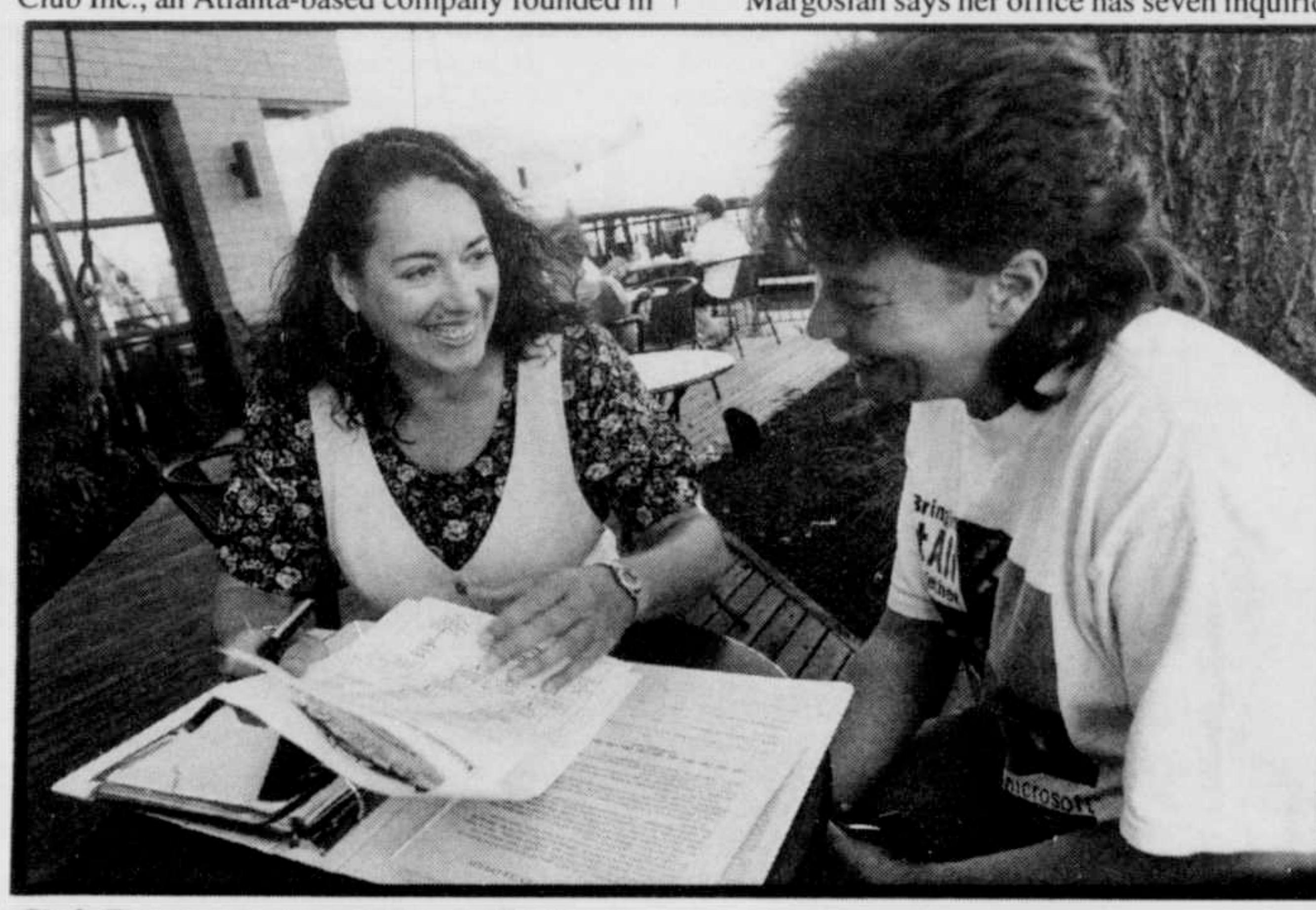
Their reasons? They like the thought of working independently—free from suffocating 9-to-5 jobs in less-than-queer friendly environments. They also say it's a great way to help friends bolster both their physical and financial well-being.

Cindy Zrinyi is a counselor with Portland Public Schools. She says she became involved in network marketing a few months ago, primarily because of concerns over budget cuts.

Like many educators and counselors, she didn't know whether she would have a job to go back to. So she began pondering the possibility of earning money other ways.

"I had worked in social services my whole professional life," says Zrinyi, 40, who is active in the Portland Lesbian Choir and First Tuesday Coffeehouse.

Zrinyi says an associate she met through the coffeehouse introduced her to Nationwide Auto Club Inc., an Atlanta-based company founded in 1992, whose mission "is to revolutionize the way the American public obtains new cars."



Cindy Zrinyi makes her pitch to Karlyn Rood

Zrinyi liked what she heard, and cut a $695 check to receive a two-year Personal Benefits Package, which includes Jiffy Lube and Hertz Rent A Car discounts and "no hassle, no haggle new car purchasing," among other benefits.

As with other multilevel marketers, in order to make money, Nationwide Auto Club members must recruit new members who in turn recruit more new members.

By becoming a member, Zrinyi became authorized to sell Nationwide Auto Club packages to others.

People have the option of signing on free of charge as independent marketing directors, meaning they don't receive a benefits package but are authorized to sell them.

Zrinyi makes a commission from each member she brings on board, but not independent marketing directors.

She says of the five members she has signed up (at a $50-per-head commission), all are lesbians.

According to Zrinyi, participants must simply "find two other people, who, like you, want to walk down this road to financial independence."

"At first I was looking at this from a perspective of how I personally could benefit," she says. "But then I began to change my focus to, 'This is a way to empower the entire lesbian and gay community.' "

Zrinyi promotes her new passion with fliers that read: "Financial independence by choice...not chance! Looking for optimistic, dynamic people to create a financially empowered gay/lesbian force in this community. No inventory to sell, no huge time or money investment. Incredibly lucrative opportunity for individuals as well as nonprofit organizations."

In another promo, Zrinyi tells us Nationwide Auto Club "is for real...and if I'm going to 'get rich' I'm going to bring the whole community with me!"

Nonprofits "like the Portland Lesbian Choir," she says, can "become empowered, too."

All it takes, she explains with enormous zeal, is four members of the nonprofit signing up for benefit packages. Each must in turn sign on at least two people, etc.

When certain "mile markers" are reached, the nonprofit organization receives financial compensation.

Margosian says her office has seven inquiries on Nationwide Auto Club, and has not investigated the company.

"There are literally thousands of these operations," she says.

Like Stapley, Zrinyi says she is in the relatively early stages of her multilevel marketing activities, essentially doing it on a part-time basis. She admits she has yet to clear the original $695 she plunked down.

"But I'm right on the edge," she stresses.

Brian, who asked that we not disclose his last name, never even came close to that edge.

The 36-year-old gay Portlander estimates he "easily dumped $10,000" of his own money into Equinox, a Nevada-based multimillion-dollar company whose product line includes air and water treatment systems, and nutrition and herbal goods.

Last summer, Brian, who previously worked in the hospitality business, saw an Equinox ad in a trade publication and decided to check it out.

"My friends call me a wheeler and dealer," he laughs. "I'm willing to try anything once."

Brian attended one of the local introductory meetings, which featured a slick presentation alluding to the riches waiting to be had.

That sounded good to Brian.

"There were various ways you could get involved," he explains. "You could simply buy the products for personal use, or start your own distributorship by selling yourself. Or you could recruit people to sell the product for you—to build your own sales force."

Brian opted for the latter and from August 1996 to March 1997 struggled to recruit a sales force.

He first purchased an estimated $5,000 worth of Equinox products to have readily available for any recruit he signed up.

Then he placed advertisements in various publications, again using his own money, and he looked to friends and associates as potential members of his team.

"I have so many friends who say they hate their jobs and wish they could do something else. This seemed like something that would be perfect for them," he says.

He also thought the gay community would be interested. "There's this joke about the three fastest forms of communication: telegraph, telephone and telefag," he half-seriously jests.

Telefag, in this case at least, fell flat. Brian was essentially looked upon as the leering used-car salesman ready to sell you a big fat lemon.

As for the ads, Brian says he'd get as many as five calls a day, would sign folks up "and then never see them again."

Finally, after experiencing big economic losses, as well as growing frustration "with people," Brian threw in the towel—when it came to Equinox, that is.

Remarkably, Brian immediately jumped into another multilevel marketing enterprise, called Destiny Telecom International Inc., a California company that markets prepaid long distance calling cards.

Brian says he dropped $1,000 into Destiny before getting out two months later.

According to Margosian, both Equinox and Destiny Telecom are operating under court orders in Oregon. Though neither company has admitted to violating the law, their assurances of voluntary compliance stipulate, among other points, that they will not misrepresent the income a person may reasonably expect to earn.

"I think it can be a good opportunity," says Brian, who has since turned his attention to real estate, "if you're able to attract the right people."

Margosian agrees. "You have to be the right type of person to do this. You have to approach everybody, even though they might run away. This is very difficult work. If anyone tells you this is an easy way to make a living, that should be a dead giveaway, because this is the hardest work you'll ever do."

A word to the wise

Margosian offers some tips to those considering jumping into the confusing world of multilevel marketing: Make sure there is a legitimate product involved; the sale of the product should be the focus, not the recruitment of members. Be wary of big start-up fees. Avoid purchasing lots of inventory up front, but if you must stock up, check the refund policy. Understand the pay structure. Be certain that those above you in the network are reliable and knowledgeable.

And always remember this, warns Margosian: "If it sounds too good to be true, it is."

Questions about multilevel marketing operations or reports of possible pyramid schemes may be directed to the Oregon attorney general's office consumer hot line: 229-5576 in Portland, or (503) 378-4320 elsewhere. The hours are 8:30 am to noon on weekdays.