



Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

For Release: December 16, 2002

Temporary Restraining Order Issued Against Trek Alliance

"Multi-Level Marketing" Plan Is An Illegal Pyramid, Agency Alleges

An illegal pyramid operation that posed as a legitimate retailing business and recruited "sales representatives" across the country using deceptive representations has been sued by the Federal Trade Commission. The agency charged that Trek Alliance and its principals used deceptive earnings claims to lure recruits into investing hundreds or thousands of dollars in their illegal scheme. At the request of the FTC, the court has temporarily barred the deceptive claims, frozen the defendants' assets, and appointed a temporary receiver to oversee the business, pending a hearing currently scheduled for December 23, 2002. The agency will seek a permanent bar to the scheme and an order requiring payment of consumer redress.

The FTC charged that Trek Alliance was patterned after Equinox International, an operation that paid \$40 million in consumer redress to settle charges by the FTC and a number of state attorneys general that it was operating an illegal pyramid. The case was settled in April 2000. Two of the four individual defendants announced today were top distributors with Equinox.

According to the FTC, Trek has operated a multi-level marketing company that offers distributorships for products including water filters, cleaning products and nutritional supplements. Trek distributors ran classified ads in the "Help Wanted" sections of newspapers that implied that a salaried position was being offered. People who responded to the ads were instead given a sales presentation designed to recruit new distributors. In papers filed by the FTC with the court, the agency alleges that Trek told the recruits that they could earn money by selling products or recruiting, but emphasized that the real way that Trek distributors make money is through recruiting, not through sales. The recruits were expected to attend training seminars around the country, purchase hundreds of dollars worth of products so they could enter the program at the manager level, rent desk space in regional offices, and subscribe to phone lines so they could begin recruiting others, all at their own expense. While the company promised monthly income ranging from \$2,000 to \$20,000, the FTC complaint alleges that the vast majority of consumers made less money than they spent for front-end expenses, and that many made little or nothing. The complaint also alleges that while Trek purported to link compensation to retail sales, it did not enforce the policies and requirements ostensibly designed to assure such sales.

The FTC charged that Trek's earnings claims, as well as its claims implying that employment opportunities were available, were false. The complaint also alleges that the defendants deceptively failed to disclose that most investors would not make substantial income. Finally, the FTC alleges that the program is a pyramid scheme and most participants lose money. The practices violate federal law, the complaint says. The FTC has asked the court to permanently enjoin the defendants' deceptive practices and to order consumer redress as final relief in the matter.

Defendants in the case announced today are Trek Alliance, Trek Education Corporation, VonFlagg Corporation, Jeffrey Kale Flagg, also known as (aka) Kale Flagg, Richard Von Alvensleben, aka Richard Von, Tiffani Von Alvensleben, aka Tiffani Von, and Harry M. Flagg. The company is based in Incline Village, Nevada.

The Commission gratefully acknowledges the substantial assistance that the offices of the attorneys general of the states of Maryland, Wisconsin, North Carolina, and Michigan provided in this matter.

NOTE: The Commission files a complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The complaint is not a finding or ruling that the defendant has actually violated the law. The case will be decided by the court.

Copies of the complaint are available from the FTC's Web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint, or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at <http://www.ftc.gov>. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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(<http://www.ftc.gov/opa/2002/12/trek.htm>)