



May 15, 2013

VIA FEDEX

Washington Attorney General Bob Ferguson
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, Washington 98104-3188

Re: Resorts360 Vacation Club Pyramid Scheme

Dear Attorney General Ferguson:

Since 2008, Washington-based company Resorts360 Vacation Club, LLC (hereinafter "Resorts360" or "the company") has been operating a pyramid scheme in connection with the advertising, marketing, and sale of vacation club memberships. The company tells prospective participants that by purchasing one of its four expensive membership plans, they will receive travel discounts and, more importantly, an opportunity to earn a substantial income. However, the company's compensation program is based exclusively on providing payments to members for the recruitment of new participants, not on the retail sale of products or services. As your office is aware, this business model is a recipe for failure at the consumers' expense, and is illegal.¹

Truth in Advertising, Inc. ("TINA")² brings this matter to your attention in the hopes that your office will act in the best interests of consumers, and put an end to Resorts360's deceptive marketing scheme. In addition, TINA has sent a complaint letter to the Federal Trade Commission in the hopes that it will also work to stop Resorts360 from continuing with its deceptive pyramid scheme.

Below, TINA sets forth in detail the Resorts360 program and the inherent problems with it.

I. What is Resorts360?

Resorts360 is a limited liability company that was founded in 2008 by former commercial airline pilot Rodger Rutter.³ The company is based in Washington state and describes itself as a "private travel club."⁴ However, despite the travel packages

it offers, the company's primary focus is its "Progressive Leverage" compensation plan.

Resorts360's website describes the compensation plan as "one of the most powerful compensation plans in the industry, . . . paying out up to 75% of our revenues to our affiliates to reward them on a job well done."⁵ Though the company expressly disavows the fact that it is an illegal pyramid scheme,⁶ it pays its "affiliates" solely for the recruitment of new "affiliates;" travel packages and vacations are not part of the equation. As such, Resorts360 is indeed operating a pyramid scheme.

II. How the Resorts360 "Progressive Leverage" Compensation Plan Works

A. Membership

In order to become a Resorts360 member, those interested must go through the person who referred them to the Resorts360 website; they cannot join directly through the company.⁷ To get started, one must first pay \$99 to obtain an "associate business system."⁸ Once this activation fee is paid, the next step is to determine which membership level to join.

Resorts360 offers four different membership levels:

- (1) Deluxe Membership, which costs \$795 for 1 year of access;
- (2) Executive Membership, which costs \$1,995 for 3 years of access;
- (3) VIP Membership, which costs \$3,995 for 10 years of access; and
- (4) Elite Life Membership, which costs \$9,995 for lifetime access.⁹

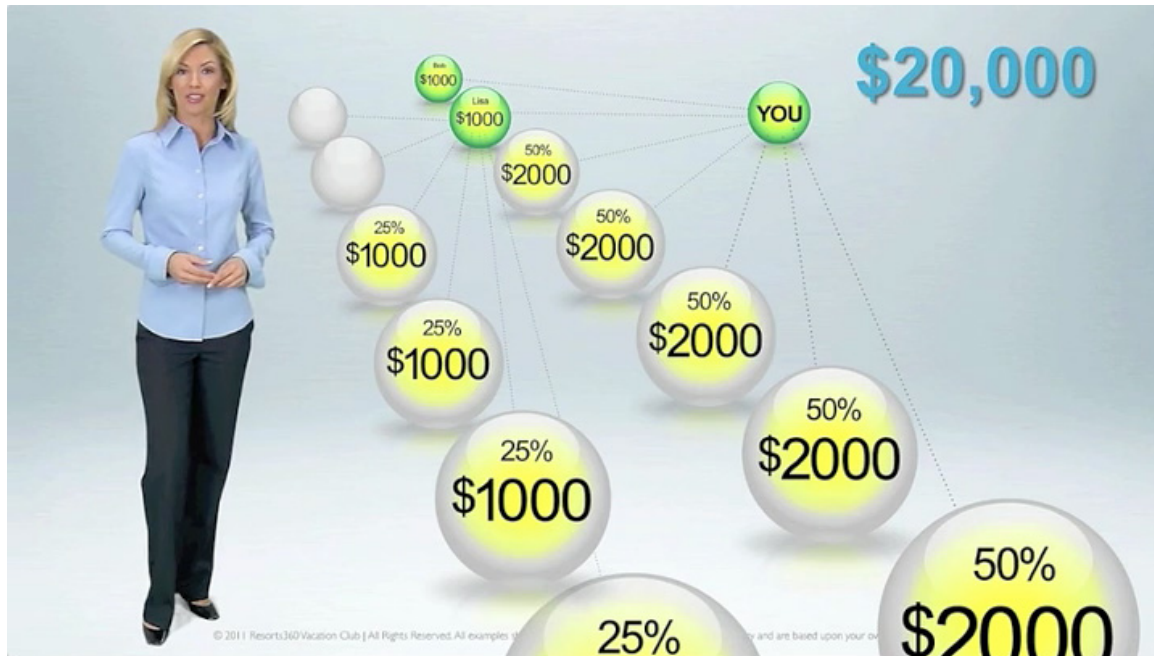
The marketing materials make clear that it is financially advantageous to purchase the most expensive membership level (i.e., the Elite Life Membership).¹⁰ After purchasing the membership, the next step is to recruit new members.¹¹

B. Compensation

Resorts360 members get paid for new customers they recruit to the company (which is why those interested in joining must go through the individual who referred them).¹² The amount of travel discounts actually used by the new recruits, or anyone else for that matter, is irrelevant for purposes of determining the member's compensation. Compensation is based solely on the number of individuals that purchase memberships in one's pyramid.

When members first join Resorts360, they become "associates," and earn a 25% commission on their "sales,"¹³ regardless of the type of membership they have. After making two sales, associates are promoted to "managers," and then start earning a 50% commission on the successful recruitment of new members.¹⁴

In addition to commissions made on their own sales, members can also earn a 25% commission on sales made by those to whom they sold memberships (i.e., their “business builders”). Resorts360 calls these types of commissions “bonus overrides.” In order to obtain this 25% bonus override, either the original sale (i.e., the member’s sale to the business builder) must have been made when the member was a manager, or the second-level sale (i.e., the business builder’s sale) must have been made when the business builder was a manager.¹⁵ Below is an illustration from Resorts360’s Compensation Plan video on how this pyramid scheme works:



An important limitation, however, is that the commission earned on each sale is capped at a percentage (either 25% or 50% depending on when the sale was made and who made it) of the amount the member originally paid to become a Resorts360 member.¹⁶ In other words, Executive members, who paid \$1,995 to sign-up, can earn, at most, \$1,000 (or 50% of their sign-up fee) on each sale, even if they sell an Elite Life membership for \$9,995.¹⁷ Similarly, VIP members, who paid \$3,995 to sign-up, can earn, at most, \$2,000 (or 50% of their sign-up fee) on each sale.¹⁸ This restriction is a marketing tactic designed to encourage people to buy the most expensive membership in order to make the most money.

III. Resorts360's Deceptive Marketing Claims

A. Promises of big, easy, and quick rewards

i. Claims made by Resorts360 on its websites

Resorts360 makes a number of impressive and promising claims on its websites.¹⁹ In the written material on the sites, the company states, among other things:

- "Resorts360 has developed one of the most powerful compensation plans in the industry."²⁰
- "Our compensation plan offers the most generous commissions in the industry . . . paying out up to 75% of our revenues to our affiliates to reward them on a job well done."²¹
- "Why put a cap on your potential? With Resorts360, you can build an organization that is infinitely wide and infinitely deep. Impossible you say? Not at all! In fact, our compensation plan is so powerful, it has the potential to actually double on each and every generation to infinity! How? by [sic] using a simple mathematical principle known as compounding."²²
- ". . . earning multiple six figure incomes is not uncommon with Progressive Leverage."²³
- "With commissions of up to \$5,000 per sale, you won't have to wait years to earn money as with other compensation plans that have a small up front fee and even smaller monthly fee to qualify to earn commissions."²⁴
- "Because you only need a few sales to earn money with Resorts360, it's extremely easy to duplicate. Why? Because with just a few sales a person can see how easy it is to earn money with Resorts360."²⁵

The company also provides informational marketing videos on its websites, which state, among other things:

- "Offers unlimited opportunities."²⁶
- "We make it easy for you to succeed right away."²⁷
- "Resorts360 is a proven path to success for many associates around the world from all ages and walks of life."²⁸
- "When you run your own business with Resorts360, there's no limit to your personal and financial success."²⁹

- “Earn a five-figure monthly income.”³⁰
- Resorts360 allows you to “promote a popular product that literally sells itself.”³¹
- “This is not a MLM or multi-level marketing, this is not party plan or door-to-door selling, this is not a get rich quick scheme, and this is not a pyramid scheme, which, of course, is illegal.”³² Despite listing what the company is not, it never specifies what the company is.
- “We’re not going to show you overhyped income claims. We’re going to show you conservative examples, but the money can be quite significant as you’ll see.” The video then goes on to describe the various ways in which members can earn six-figure incomes.³³
- “So this is the type of income that you can earn that could really free you financially and allow you to quit your job and go on holidays and have more money when you get back than before you left. There’s nothing quite like it.”³⁴
- “Our Resorts360 business is highly profitable, and if you’re a big thinker, when you do the math, you can see that it only takes 200 Elite Life sales to earn a million dollars.”³⁵
- “Earning high commissions makes the Resorts360 business very lucrative.”³⁶
- “[From an alleged Resorts360 member]: I got started in 2009, and just eight days later, sales started to flow, income started to flow, and they’ve been flowing every since. One of the great things about this business is that we get paid weekly provided we’re productive. In my country, I get paid every Friday without fail, and that’s a fantastic benefit from a cash flow point of view, it’s awesome. And every week, almost without exception, I get four and five figure paychecks.”³⁷
- “[From an alleged Resorts360 member]: The product sells itself and it has incredible appeal to the market.”³⁸

In short, there can be no dispute that Resorts360’s message to consumers is that anyone can make top dollar quickly and easily through its program.

ii. Claims made in reviews posted on Resorts360’s website

To support its promising claims, the company posts several reviews from members who have already bought in to the program and who are now trying to promote the company in order to earn money. For example, a man in Minnesota claims that

Resorts360 earned him more than \$2 million in just four years.³⁹ Another review from a woman in Australia claims that the Resorts360 compensation plan is “so profitable” that she is now able to pay off her debt and “get ahead financially.”⁴⁰ Yet another review from an Ohio woman claims that she made \$3,000 in 11 days.⁴¹

iii. Claims made by Resorts360 members on their own websites and YouTube videos

In addition to the company’s website, Resorts360 members have set-up, among other things, websites, social media pages (such as Facebook and Twitter), and promotional YouTube videos in an effort to recruit new participants so they can make money. The following are some examples of the claims made by Resorts360 members:

- “This is a six to seven-figure opportunity that is designed for anyone to operate.”⁴²
- “People from all walks of life are experiencing returns of \$5,000 and more per month.”⁴³
- “As a result of this tremendous program, I have no doubt you will increase your income by 3, 5, or even 10 times in the first year after you come on board as an affiliate.”⁴⁴
- “[I]t’s a magical program with magical commissions. . . . Resorts360 is not paying monthly, it’s not paying fortnightly, it’s not even paying weekly. Sweeties, . . . Resorts360 is paying daily . . . The commissions aren’t \$100, \$50, \$200. The commissions are \$1,000 and \$2,000.”⁴⁵

The problem with all of the above-described claims, both those made directly by Resorts360, as well as those made by its members, is that they are deceptive. As your office is aware, pyramid schemes such as this one are inherently injurious to consumers because, inevitably, they are doomed to collapse. That is because there would need to be an endless pool of new recruits to keep the scheme going, but in reality (and contrary to what Resorts360 would like consumers to believe), the number of potential participants is limited. Therefore, each new level of participants has less chance of recruiting others and a greater chance of losing money. In other words, those at the bottom of the pyramid, which is the vast majority of the participants, lose money because there is no one below them. Resorts360 does not explain this to consumers.⁴⁶

B. Company Guarantee

In addition to its promises of big, easy, and quick money, Resorts360 also proudly boasts its money-back guarantee. On its website, it states:

“Resorts360 gives you the peace of mind knowing that our exclusive membership is guaranteed. No other travel company makes such an offer. Take your time, have a look around and see for yourself why Resorts360 is becoming the number one rated travel company in the world. Resorts360 Vacation Club is so confident in our membership value that we are willing to put our product to the test.”⁴⁷

However, the “no questions asked” money-back guarantee is only valid for five days.⁴⁸ So, if it takes a member a mere week to sort out the program or make a sale, and then discovers a problem or does not like the program, it will be too late for a refund, despite the company’s bold claims of profitability and confidence in its program.

IV. Conclusion

As explained above, Resorts360 is a compensation program based exclusively on providing payments to members for the recruitment of new participants, not on the retail sale of products or services. In addition, Resorts360 claims, both directly and through its members, that those who buy into the program are likely to make a substantial income, when, in truth, most consumers who become Resorts360 members are not likely to make any money at all.

For the reasons stated in this letter, TINA urges your office to move quickly in order to halt Resorts360’s pyramid scheme and protect consumers from this deceptive marketing.

Sincerely,

Laura Smith, Esq.
Legal Director
Truth in Advertising, Inc.

Bonnie Patten, Esq.
Executive Director
Truth in Advertising, Inc.

¹ See Anti-pyramid Promotional Schemes Act, Revised Code of Washington § 19.275.030 (“No person may establish, promote, operate, or participate in any pyramid scheme.”), available at <http://apps.leg.wa.gov/RCW/default.aspx?cite=19.275.030> (Exhibit 1). The Anti-pyramid Promotional Schemes Act defines pyramid schemes as “any plan or operation in which a person gives consideration for the right or opportunity to receive compensation that is derived primarily from the recruitment of other persons as participants in the plan or operation, rather than from the bona fide sale of goods, services, or intangible property to a person or by persons to others.” See Revised Code of Washington §19.275.020, available at <http://apps.leg.wa.gov/RCW/default.aspx?cite=19.275.020> (Exhibit 2).

² TINA is a non-profit consumer advocacy organization dedicated to empowering consumers to protect themselves against deceptive advertising.

³ Resorts360’s About Us page, available at www.myresorts360.com/about.asp (Exhibit 3).

⁴ Resorts360’s Product FAQ page, available at myresorts360.com/faqs2.asp (Exhibit 4).

⁵ Resorts360’s Progressive Leverage Compensation Overview page, available at www.myresorts360.net/overview_comp.asp (Exhibit 5).

⁶ “This is not a pyramid scheme, which, of course, is illegal.” Resorts360’s Business Overview video, available at myresorts360.com/discover.asp, under the “Recorded Presentation” tab (Exhibit 6).

⁷ Resorts360 Join Now page, available at www.resorts360vacationclub.net/signup/basepages/error.asp (Exhibit 7).

⁸ Resorts360 Compensation Plan video, available at www.myresorts360.net/overview_comp.asp (Exhibit 8). See also Business Overview video, *supra* (Ex. 6).

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ A review of the company’s marketing materials makes clear that the word “sales” refers to the successful recruitment of new members.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* See also Business Overview video, *supra* (Ex. 6).

¹⁷ Business Overview video, *supra* (Ex. 6). See also Compensation Plan video, *supra* (Ex. 8).

¹⁸ *Id.*

¹⁹ The company markets itself on several different websites, including www.myresorts360.com, myresorts360.net, and resorts360vacationclub.net.

²⁰ Resorts360's Progressive Leverage Compensation Overview page, *supra* (Ex. 5).

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ Resorts360's Opportunity video, available at www.myresorts360.net/success-2.asp (Exhibit 9).

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

³⁰ Resorts360's Business Overview video, *supra* (Ex. 6).

³¹ *Id.*

³² *Id.*

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

³⁹ Resorts360 Reviews page, available at www.myresorts360.net/reviews.asp (Exhibit 10).

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² www.resorts360closers.com/resorts-360 (Exhibit 11).

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ “Resorts 360 vacation club - the No1 online business” YouTube video, available at <http://www.youtube.com/watch?v=-Y7eal9QexM> (Exhibit 12); *see also* “How to Join Resorts 360 Vacation Club - the ultimate online” video, available at <http://www.youtube.com/watch?v=yCprVnh291g> (Exhibit 13).

⁴⁶ In addition to the pyramid scheme employed by Resorts360, other entities, such as the Resorts360 Sales Center, which, contrary to what the name suggests, is a completely separate entity from Resorts360, try to take advantage of Resorts360 members. For example, the Resorts360 Sales Center tries to lure in Resorts360 members with promises to help them “build [their] business” by providing a full-time professional sales team that will help them obtain new recruits. *See* <http://resorts360salescenter.com/> (Exhibit 14). Any efforts by your office to put an end to the deceptive scheme employed by Resorts360 will automatically have an effect on other related deceptive businesses, such as the Sales Center.

⁴⁷ Resorts360 Guarantee page, available at <http://www.myresorts360.net/guarantee2.asp> (Exhibit 15).

⁴⁸ *Id.*