

SPEECH BY: . ROBERT MORGAN

TO: AMWAY DISTRIBUTORS  
"FREE ENTERPRISE DAY"  
CHARLOTTE CIVIC CENTER  
CHARLOTTE, NORTH CAROLINA

DATE: SEPTEMBER 7, 1974

THANK YOU SO VERY MUCH FOR ALLOWING ME TO BE HERE WITH YOU TONIGHT AND TO PARTICIPATE IN YOUR "FREE ENTERPRISE DAY" PROGRAM. IT'S A REAL PLEASURE TO BE WITH YOU, TO MAKE SOME NEW FRIENDS AND TO RENEW SOME OLD ACQUAINTANCES.

I HAVE LISTENED TO SEVERAL OF YOUR TAPES -- INCLUDING "SELLING AMERICA" AND THIS MAN OBVIOUSLY IS ONE OF THE GREATEST SPEAKERS ANYWHERE. I LOOK FORWARD TO HIS ADDRESS TONIGHT.

WE ARE FOCUSING OUR ATTENTION TONIGHT ON THE FREE ENTERPRISE SYSTEM WHICH I BELIEVE IS ONE OF THE BASIC REASONS FOR THIS NATION'S GREATNESS. I CONGRATULATE YOU FOR YOUR INVOLVEMENT IN IT.

YOU KNOW, MILLIONS OF PEOPLE AROUND THE WORLD DO NOT HAVE THE FREEDOM OF CHOICE THAT YOU AND I HAVE.

I HAVE BEEN BEHIND THE "IRON CURTAIN" AND I HAVE SEEN THE FACES FILLED WITH DESPAIR, FACES THAT DID NOT "LIGHT UP" WITH THE ENTHUSIASM I SEE IN YOUR FACES TONIGHT. AS WE CROSSED THE BORDER INTO EAST GERMANY, OUR PICTURE POSTCARDS OF WESTERN CIVILIZATION WERE "TORN UP" BY THE BORDER GUARD. "ES VERBOTEN" (PRONOUNCED "S VER BOAT IN") "IT'S FORBIDDEN" HE SAID IN GERMAN.

I'M SO GLAD THAT WE STILL HAVE THE "POWER OF CHOICE" -- THE POWER AND FREEDOM TO CHOOSE -- TO GO INTO A BUSINESS OF OUR OWN, TO BUILD A FUTURE FILLED WITH PROMISE!

AND AS LONG AS PEOPLE SUCH AS YOU STAND READY TO DEFEND IT, THE FREEDOM OF PRIVATE ENTERPRISE WILL NOT BE LOST TO AMERICA.

IT IS MY FIRM BELIEF THAT OPEN AND FREE COMPETITION GENERATED BY INITIATIVE AND IMAGINATION IN PRIVATELY-OWNED ENTERPRISES IS THE BEST REGULATING FACTOR IN THE MARKET PLACE AND THE GREATEST PROMISE OF AMERICA.

BUT I FEEL WE ALL REALIZE THAT SOME CURBS ARE NECESSARY WHICH WILL PRESERVE, NOT INJURE, THE FREE ENTERPRISE SYSTEM.

BACK IN 1890, A VERY CONSERVATIVE MEMBER OF THE UNITED STATES SENATE, JOHN SHERMAN OF OHIO, INTRODUCED THE SHERMAN ANTITRUST ACT WHICH IS STILL THE LAW TODAY. THIS ACT WAS NOT REFERRED TO AS AN ACT TO REGULATE BUSINESS BUT AS AN ACT TO "MAKE FREE ENTERPRISE FREE," WHICH IT DOES BY INSURING COMPETITION.

IN 1969, CHAPTER 75, OUR STATE ANTITRUST LAW, WAS AMENDED TO ADD FURTHER PROHIBITIONS AGAINST SPECIFIC TYPES OF COMMERCIAL ACTIVITIES.

THE NEW SECTION GENERALLY PROHIBITS UNFAIR METHODS OF COMPETITION AND DECEPTIVE ACTS IN THE CONDUCT OF TRADE OR COMMERCE.

WE WERE INSTRUMENTAL IN GETTING THIS LEGISLATION TO PROTECT THE CONSUMER ENACTED AND I AM PROUD OF THIS FACT.

AS RESPONSIBLE BUSINESSMEN AND WOMEN, YOU TOO, SHOULD BE SUPPORTERS OF THIS LEGISLATION FOR IT WAS NOT PASSED TO HARASS THE HONEST TRADESMEN OR SUPPLIER, INSTEAD IT PROTECTS SUCH BUSINESSMEN JUST AS IT PROTECTS THE CONSUMER.

LET ME CITE AN EXAMPLE. IN 1969, I RECEIVED A TELEPHONE CALL FROM A BANKER IN CANDOR, NORTH CAROLINA -- NOT LONG AFTER I HAD ASSUMED THE OFFICE OF ATTORNEY GENERAL. THE BANKER EXPRESSED HIS CONCERN FOR A LOCAL SCHOOL TEACHER WHO WAS ABOUT TO BE "TAKEN FOR A RIDE" BY A PYRAMID SCHEME. THE SCHOOL TEACHER HAD COME TO HIM REQUESTING A LOAN ON HIS SMALL FRAME HOME, FOR \$2000, TO "INVEST" IN THIS BUSINESS.

THIS CALL PROMPTED ME TO MOVE EVEN MORE RAPIDLY TO BRING SUIT AGAINST PYRAMID COMPANIES AND OTHER FRAUDULENT AND DECEPTIVE "FLY BY NIGHT" OPERATORS.

DURING A MEETING WITH GENE LEWIS AND SEVERAL OTHER AMWAY DISTRIBUTORS SEVERAL MONTHS AGO, I RELATED THIS INCIDENT. GENE INFORMED ME THAT AT ABOUT THAT SAME TIME HE WAS WORKING AS A SCHOOL TEACHER IN CANDOR. HE APPROACHED HIS BANKER FOR A \$2000. LOAN ON HIS SMALL FRAME HOME TO INVEST IN A BUSINESS HE LATER DISCOVERED WAS A PYRAMID OPERATION. GENE AND I HAVE CONCLUDED THAT THE GENTLEMAN MY BANKER FRIEND CALLED ABOUT IN ALL PROBABILITY WAS GENE LEWIS. THE CIRCUMSTANCES ARE TOO SIMILAR TO BE OTHERWISE.

THE CONSUMER IS NOT THE ONLY ONE HURT, HOWEVER, THE FLY-BY-NIGHT OPERATOR TAKES MONEY THAT WOULD ORDINARILY GO IN LOCAL BUSINESS CHANNELS, BUILDING A STRONGER ECONOMY FOR OUR COMMUNITIES, OUR STATE AND OUR NATION.

SO I FEEL THAT IN PROTECTING THE CONSUMER, WE ARE ALSO PROTECTING THE DECENT, RESPONSIBLE BUSINESSMAN.

AND I THINK THAT YOUR ORGANIZATION AND YOU INDIVIDUALLY SHOULD BE CONCERNED ABOUT LESS THAN HONEST PRACTICES AND SHOULD SUPPORT ANY EFFORT TO HALT THEM.

LET'S LOOK AT WHAT HAPPENED IN OUR FIGHT AGAINST PYRAMID COMPANIES IN NORTH CAROLINA.

AFTER THAT TELEPHONE CALL FROM CANDOR IN 1969, WE FILED SUIT AGAINST FOUR PYRAMID OPERATIONS IN NORTH CAROLINA -- KOSCOT, CONTINENTAL MARKETING ASSOCIATES, DARE TO BE GREAT, AND FIVE SEASONS TRAVEL CLUB. ALSO, AN INJUNCTION WAS OBTAINED AGAINST KOSCOT WHICH IS STILL IN EFFECT TODAY.

I MIGHT ADD THAT THROUGH PERSUASION, AND EVEN AT TIMES A LITTLE SUBTLE ARM TWISTING, WE MANAGED TO EITHER REFORM OR KEEP OUT OF THE STATE QUITE A NUMBER OF OTHER PYRAMID OPERATIONS THAT WANTED TO OPERATE HERE.

THE PHRAMID OPERATIONS IN NORTH CAROLINA HAVE FADED CONSIDERABLY IN THE PAST FEW YEARS. BUT THE BITTER TASTE OF THEIR FRADULENT ACTIVITIES REMAINS, AND THE WORD "PYRAMID" IS ALMOST A HOUSEHOLD WORD.

UNFORTUNATELY, THE IMAGE OF SOME HONEST, DIRECT SELLING OPERATIONS HAVE SUFFERED, AND I KNOW YOU AS AMWAY DISTRIBUTORS HAVE FELT THE STING.

THIS IS UNFORTUNATE FOR IT IS IMPORTANT TO NOTE THAT THE AMWAY SALES AND MARKETING PLAN IS NOT A PYRAMID OPERATION AND DOES NOT VIOLATE NORTH CAROLINA'S CONSUMER PROTECTION LAWS.

LET'S TALK ABOUT WHAT A PYRAMID IS.

ANY ORGANIZATION OF REASONABLE SIZE -- INCLUDING LOCAL, STATE, AND FEDERAL GOVERNMENTS, BUSINESS AND INDUSTRIAL AND CIVIC ORGANIZATIONS -- WILL HAVE THE ORGANIZATIONAL SHAPE OF A TRIANGLE OR PYRAMID WHEN DRAWN OUT ON PAPER. THAT'S A PRESIDENT, GOVERNOR, MAYOR, OWNER OR SOME SIMILARLY TITLED PERSON AT THE TOP WITH OTHER LEVELS BRANCHING OUT TOWARDS THE BOTTOM. AND, INCIDENTALLY, THE ODDS OF GETTING TO THE TOP ARE USUALLY AGAINST MOST PEOPLE IN THESE ORGANIZATIONS. FOR EXAMPLE, IN THIS STATE, THE ODDS AGAINST ANY ONE PERSON BECOMING GOVERNOR AT ANY SINGLE POINT IN TIME ARE OVER 5,000,000 TO 1.

YOU HERE TONIGHT ARE FORTUNATE TO BE SELF-EMPLOYED IN AN ORGANIZATION WHERE PERFORMANCE IS THE SOLE CRITERIA. YOU DECIDE HOW SUCCESSFUL YOU WANT TO BECOME BY YOUR PERFORMANCE ALONE. YOUR CHANCE OF GETTING TO THE TOP DEPENDS DIRECTLY UPON YOUR SALES VOLUME OF PRODUCTS THAT REACH THE HANDS OF CONSUMERS. BUT THESE ORGANIZATIONAL STRUCTURES ARE NOT WHAT WE ARE TALKING ABOUT WHEN WE THINK OF PYRAMID ORGANIZATIONS.

LET ME QUOTE "IN PART" NORTH CAROLINA'S PYRAMID AND CHAIN LEGISLATION -- G.S. 140291.2 PYRAMID AND CHAIN SCHEMES PROHIBITED.

- (A) ANY PERSON WHO SHALL ESTABLISH, PROMOTE, OPERATE OR PARTICIPATE IN ANY PYRAMID DISTRIBUTION PLAN, PROGRAM, DEVICE OR SCHEME WHEREBY A PARTICIPANT PAYS A VALUABLE CONSIDERATION FOR THE OPPORTUNITY OR CHANCE TO RECEIVE A FEE OR COMPENSATION UPON THE INTRODUCTION OF OTHER PARTICIPANTS INTO THE PROGRAM, WHETHER OR NOT SUCH OPPORTUNITY OR CHANCE IS RECEIVED IN CONJUNCTION WITH THE PURCHASE OF MERCHANDISE, SHALL BE DEEMED TO HAVE PARTICIPATED IN A LOTTERY AND SHALL BE PUNISHED AS PROVIDED FOR IN G. S. 14-290,
- (B) "PYRAMID DISTRIBUTION PLAN" MEANS ANY PROGRAM UTILIZING A PYRAMID OR CHAIN PROCESS BY WHICH A PARTICIPANT GIVES A VALUABLE CONSIDERATION FOR THE OPPORTUNITY TO RECEIVE COMPENSATION OR THINGS OF

VALUE IN RETURN FOR INDUCING OTHER PERSONS TO  
BECOME PARTICIPANTS IN THE PROGRAM:

"COMPENSATION" DOES NOT MEAN PAYMENT BASED ON SALES  
OF GOODS OR SERVICES TO PERSONS WHO ARE NOT  
PARTICIPANTS IN THE SCHEME, AND WHO ARE NOT  
PURCHASING IN ORDER TO PARTICIPATE IN THE SCHEME;  
AND "PROMOTES" SHALL MEAN INDUCING ONE OR MORE OTHER  
PERSONS TO BECOME A PARTICIPANT.

WHAT DOES THIS MEAN IN PLAIN ENGLISH?

TO COME UNDER THE PYRAMID AND CHAIN LEGISLATION, YOU  
PAY FOR THE OPPORTUNITY TO RECEIVE A FEE, COMMISSION, OR  
COMPENSATION FOR RECRUITING OTHERS INTO THE PROGRAM. THE  
PYRAMID OPERATORS MAY LOAD THEIR RECRUITS WITH LARGE INVENTORY  
OF PRODUCTS, AND THE STATUTE COVERS "INVENTORY LOADING" ALSO.

AS AN EXAMPLE OF A PYRAMID AS DEFINED BY THE STATUTE,  
IN GLENN TURNER'S "DARE TO BE GREAT", AN INDIVIDUAL MIGHT PAY  
\$5,000. TO JOIN AT THE HIGHEST LEVEL. HE WOULD IMMEDIATELY  
RECEIVE THE RIGHT TO SELL THE PROGRAM TO OTHERS HE RECRUITS,  
AND UPON SELLING IT TO ANOTHER PERSON, HE WOULD IMMEDIATELY  
RECEIVE A COMMISSION, USUALLY IN THE NEIGHBORHOOD OF \$2,000.  
DARE TO BE GREAT'S "BUYING IN" PLAN RANGED FROM \$300 TO \$5,000.,  
DEPENDING, AS ONE NEWSPAPER WRITER OBSERVED, "UPON HOW GREAT  
ONE WISHED TO BECOME!"



IN SOME PYRAMID PROGRAMS, THE PAYMENTS HAVE BEEN DISGUISED AS COMMISSIONS ON SALE OF PRODUCTS THROUGH "INVENTORY LOADING." THUS, AN INDIVIDUAL MIGHT BE REQUIRED TO PURCHASE \$3000. WORTH OF INVENTORY OF SOAP PRODUCTS IN ORDER TO BECOME A PARTICIPANT IN THE PROGRAM. (BESTLINE, FOR EXAMPLE, USED TO WORK IN THIS MANNER.)

A "PYRAMID" IS BUILT WITH EACH MEMBER TRYING TO "LOAD UP" SOMEONE UNDERNEATH HIM. SIMILAR TO THE CHAIN LETTER SCHEME, THE IDEA WORKS ONLY AS LONG AS THE SUPPLY OF "TAKERS" HOLDS OUT.

ALSO, ONCE A PERSON SIGNED A CONTRACT WITH MANY OF THESE PYRAMID OPERATIONS, HE FOUND ALMOST NO END TO SPECIAL CHARGES -- CHARGES HIDDEN AT THE TIME THE CONTRACT WAS SIGNED. FOR EXAMPLE, THERE WAS A LARGE TUITION FEE FOR "SALES SCHOOLS", AND LARGE WAREHOUSE FEES.

AMWAY DOES NOT HAVE THESE CHARACTERISTICS.

BUT BASICALLY AMWAY DOES NOT FALL WITHIN THE PROHIBITIONS OF OUR NORTH CAROLINA PYRAMID STATUTE BECAUSE (1) AMWAY DOES NOT HAVE THE INITIAL REQUIREMENT OF BUYING IN, AND (2) AMWAY HAS A SOLID BASE OF SALE OF PRODUCTS TO CUSTOMERS AT RETAIL ON WHICH TO BASE COMMISSIONS.

OUR PYRAMID AND CHAIN STATUTE CLEARLY DOES NOT APPLY TO PAYMENT BASED ON SALES OF GOODS OR SERVICES TO PERSONS WHO ARE NOT PARTICIPANTS IN THE PROGRAM (RETAIL CUSTOMERS) OR TO THOSE WHO ARE NOT BUYING THE GOODS JUST TO PARTICIPATE IN THE PROGRAM (DISTRIBUTORS WHO BUY AT WHOLESALE TO SELL TO RETAIL CUSTOMERS),

IN SUMMARY, THE ONLY WAY AN INDIVIDUAL CAN EARN A COMMISSION IN AMWAY IS BY ESTABLISHING A RETAIL BUSINESS OF HIS OWN AND SELLING DIRECTLY TO CUSTOMERS, AND IF HE CHOOSES, RECRUITING ANOTHER PERSON INTO AMWAY AND TRAINING THAT PERSON TO GO OUT AND SELL THE PRODUCT -- WHILE HE MAINTAINS HIS OWN RETAIL BUSINESS -- SELLING TO HIS OWN CUSTOMERS,

THUS, THERE IS NO COMMISSION PAID FOR THE ACT OF RECRUITING. COMMISSIONS ARE PAID ON THE SALE OF PRODUCTS AT RETAIL. THAT, IN SIMPLEST TERMS, IS FREE ENTERPRISE.

IN ADDITION TO OUR PYRAMID AND CHAIN LEGISLATION, THE OTHER MAJOR LAW THAT YOU AS RESPONSIBLE BUSINESSMEN AND WOMEN SHOULD BE SUPPORTERS OF IS ONE I MENTIONED EARLIER -- THE STATE ANTI-TRUST LAW, AS AMENDED IN 1969 TO FURTHER PROHIBIT UNFAIR METHODS AND DECEPTIVE ACTS IN THE CONDUCT OF TRADE OR COMMERCE.

YOU, AS AMWAY DISTRIBUTORS, ARE FORTUNATE IN HAVING A

CODE OF ETHICS AND RULES OF CONDUCT THAT YOU YOURSELF FOLLOW. FOLLOWING THESE PRACTICES, WHICH YOU USUALLY CALL "THE GOLDEN RULE", ARE IMPORTANT.

IN THIS RESPECT, I WOULD ONLY SAY -- CONTINUE TO PRESENT YOUR BUSINESS IN AN HONEST AND FAIR WAY, THAT IS, YOUR SALES AND MARKETING PLAN AND YOUR PRODUCTS.

I WAS PARTICULARLY PLEASED WITH THREE POINTS:

- (1) YOUR EMPHASIS ON RETAIL SELLING,
- (2) THE OPPORTUNITY YOU OFFER PEOPLE TO BECOME SELF-EMPLOYED IN A BUSINESS OF THEIR OWN -- EVEN IF THEY HAVE HAD LITTLE OR NO TRAINING OR EXPERIENCE IN BUSINESS -- AND WITH ONLY A MODEST EXPENDITURE ON THEIR PART,
- (3) THE FACT THAT YOU AS A SPONSOR DO NOT SUCCEED OR PROFIT FROM YOUR RECRUITING ACTIVITIES UNLESS YOU
  - (1) CONTINUE TO MAINTAIN YOUR PERSONAL RETAIL BUSINESS
  - AND (2) ENABLE YOUR SPONSORED DISTRIBUTOR TO BECOME PROFITABLE FIRST -- BY MOVING PRODUCTS TO CONSUMERS.SO YOU HAVE A "BUILT IN" INCENTIVE TO LIFT PEOPLE UP, NOT KEEP THEM DOWN.

IT SEEMS TO ME THAT YOU HAVE A LOT GOING FOR YOU.

YOU HAVE A COMPANY BEHIND YOU WITH OVER 15 YEARS OF SUCCESSFUL EXPERIENCE IN DIRECT SELLING -- WITH A SOLID MANUFACTURING SOURCE FOR YOUR PRODUCTS, AND I BELIEVE YOUR PRODUCTS ARE UNIVERSALLY RECOGNIZED AS GOOD ONES.

ALMOST ALWAYS WHEN A BUSINESS SUCCEEDS, IT IS BECAUSE OF A COMBINATION OF ENTHUSIASM, DEDICATION, HONESTY, HARD WORK AND OF COURSE, A GOOD PRODUCT. THESE ARE KEYS TO SUCCESS WITH AMWAY, THESE ALSO ARE KEYS TO FREE ENTERPRISE.

I'VE ENJOYED BEING WITH YOU THIS EVENING AND I CONGRATULATE EACH OF YOU FOR YOUR CONTRIBUTION TO MAKING THE FREE ENTERPRISE SYSTEM STRONGER IN THE NATION.

YOU CAN BE PROUD THAT YOU HAVE DISCOVERED WAYS TO SPARK INDIVIDUAL INITIATIVE AND OFFER HOPE FOR FINANCIAL ADVANCEMENT WITHOUT VIOLATING THE LAWS FORBIDDING ILLEGAL PYRAMIDS AND UNFAIR AND DECEPTIVE PRACTICES IN THE MARKETPLACE.

FOR THIS I CONGRATULATE YOU ALSO, AND WISH YOU THE VERY BEST IN THE DAYS AND YEARS TO COME.