

Points of Similarity Between Madoff and Medifast

[Click here for excerpts of the letter sent to SEC and FTC arguing Ponzis and Endless Chain Pyramid Schemes are very much alike](#)

Recruiting Fresh Money

In Madoff's Scheme: He was responsible for recruiting new people into the scheme, whose money was used to pay earlier investors.

In Medifast: The company pushes the responsibility of recruiting new people into the scheme on to their "coaches", with funds from later coaches paying returns to earlier ones.

Closed System

In Madoff's Scheme: There were insufficient trading profits coming into the company. So money was transferred from new financial investors to pay off older ones within a closed system.

In Medifast: There is insufficient retail sales coming into the company. Investments are gained from "coaches", who must then recruit other coaches into the closed system to recoup their investments.

Affinity

In Madoff's Scheme: Financial Investors were led to think they were in private and exclusive system with a unique income opportunity that protected them from Recession. Many encouraged their own friends to also invest

In Medifast: Consumer Investors are led to believe they are in a Recession proof program, a unique income opportunity with "no cap." Many encourage their own friends to also invest.

Unheeded Complaints

In Madoff's Scheme: Complaints about Madoff went unheeded by authorities, despite whistle-blowers and evidence of fraud. The scheme appeared viable, and claimed to be a legitimate investment company. Some earlier investors were highly compensated and the others were unaware they were being defrauded; the numbers of participants were growing. By design and operation, the scheme caused the majority to lose. Regulator inaction allowed losses to mount.

In Medifast and other MLMs: Complaints about the nature of the MLM industry's false income promises and endless chain scheme go unheeded despite whistle blower reports and evidence of fraud – the constant churning of new recruits and major loss rates among consumer investors. The schemes appear viable and claim to be legitimate direct selling companies. Some early promoters are highly compensated. The others who fail and quit are unaware they were defrauded. By design and operation the schemes cause as many as 99% of consumers to lose money and 60-80% to quit each year. Regulator inaction allows losses to mount.