

1 SUPERIOR COURT OF WASHINGTON FOR PIERCE COUNTY

2 AMWAY CORPORATION, a :
 Corporation, :
 3 Plaintiff :
 4 :
 5 vs. :
 6 JAMES B. MEADE, II, and JANE : NO. 00-2-08439-6
 DOE MEADE, and their marital :
 7 community; and GORDON, :
 THOMAS, HONEYWELL, MALANCA, :
 8 PETERSON & DAHEIM, P.L.L.C., :
 a Washington professional :
 9 liability corporation, :
 Defendants :

10

11 Deposition of: ERIC SCHEIBELER

12 Taken by : Plaintiff

13 Before : Ervin S. Blank, RMR
 Reporter-Notary Public

14 Beginning : July 16, 2001; 10:24 a.m.

15 Place : Elton, Wayne, Grieco, Carlucci,
 16 Shipman & Irwin
 125 East Third Street
 17 Williamsport, Pennsylvania

18 COUNSEL PRESENT:

19 NORBERT F. KUGELE, ESQUIRE
 Warner Norcross & Judd, LLP
 20 900 Old Kent Building
 111 Lyon Street, N.W.
 21 Grand Rapids, Michigan 49503-2487
 For - Plaintiff

22 F. MIKE SHAFFER, ESQUIRE
 23 Gordon, Thomas, Honeywell, Malanca, Peterson & Daheim
 1201 Pacific Avenue, Suite 2200
 24 Post Office Box 1157
 Tacoma, Washington 98401
 25 For - Defendants

1 STIPULATION

2 It is hereby stipulated by and between counsel
 3 for the respective parties that all objections except as to
 4 the form of the question are reserved to the time of trial.

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8 ERIC SCHEIBELER, called as a witness, having been
 9 duly sworn or affirmed, testified as follows:

10 MR. SHAFFER: Why don't we start by getting on
 11 stipulations on the record.

12 MR. KUGELE: Sure. Go ahead.

13 MR. SHAFFER: We've got an agreement of counsel
 14 that all objections, except as to the form of the question,
 15 are going to be reserved. The witness is going to have an
 16 opportunity to read and sign his deposition, to correct
 17 typographical errors or transcription errors. If there
 18 are -- if there are other stipulations that occur to me,
 19 I'll point them out before we get very far in the
 20 questioning.

21 MR. KUGELE: Sounds fair enough.

22 DIRECT EXAMINATION

23 BY MR. KUGELE:

24 Q Okay. Why don't you just state for the record
 25 your full name?

1 INDEX TO WITNESSES

2 FOR - PLAINTIFF	DIRECT	CROSS	REDIRECT	RECROSS
3 Eric Scheibeler	3	29	6, 26, 88	82, 87

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13 INDEX TO EXHIBITS

14 FOR - PLAINTIFF	MARKED	ADMITTED
15 Deposition Exhibit No. 1	5	--
16 Deposition Exhibit No. 2	27	--

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1 A My name is Eric Scheibeler.

2 Q And I understand you currently are still an Amway
 3 distributor, is that correct?

4 A Not active.

5 Q Not active, but you still have an Amway
 6 distributor number?

7 A Yes.

8 Q Okay. All right. You still -- you've -- you're
 9 on what, automatic renewal so it just automatically renews
 10 each year?

11 A Yes.

12 Q Okay. All right. Now, when did you become an
 13 Amway distributor?

14 A Mid November, 1989.

15 Q Okay. And when did you become inactive as an
 16 Amway distributor?

17 A March of '99.

18 Q And what was it that caused you to become
 19 inactive?

20 A I discovered fraud, large scale global fraud.

21 Q Okay. And that led to a lawsuit that you filed
 22 against Amway and other parties?

23 A Yes, Rich DeVos, Fred Harteis, Lee Fessler.

24 Q Okay.

25 A And the VanAndels, I believe also.

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1 rebuild our lives, but I was enthusiastic that it was a
2 potential that we could obtain representation. So I
3 believe I followed up with J.B. to see if he was able to
4 get an okay on that.

5 Q Okay. All right. And when do you -- do you
6 recall when you had another -- the next communication with
7 Mr. Meade?

8 A I'd just be guessing. I really couldn't.

9 Q Okay. Approximately?

10 A I don't know if it could have been a day or a
11 week or a month. I really -- I couldn't give you an
12 honest, accurate answer.

13 Q Okay. At some point, though, then -- let's see,
14 this was in '99. And then I note that it was in October of
15 2000 that the lawsuit -- that you filed your lawsuit
16 against Amway.

17 A (Witness indicated in the affirmative.)

18 Q Did -- I guess I'm just trying to figure out,
19 approximately when was it decided that Mr. Meade would
20 represent you in a lawsuit against Amway?

21 A Some -- verbally sometime in late '99. And we
22 kept in communication, and I provided more documentation
23 over the course of the next year. But I don't believe we
24 actually signed a contract with his firm until later in
25 2000, but again, I'd have to look at that to find the date.

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1 It's almost a year from when verbally he accepted our
2 representation to when it was formalized with a suit being
3 filed.

4 Q Did J.B. Meade ever indicate to you that he had
5 proof that the tools business, you know -- let me ask you
6 this. You understand what I mean when I say the tools
7 business?

8 A Yes.

9 Q Okay. That's the BSM --

10 A Right.

11 Q -- business, right? Did you -- did J.B. Meade
12 ever indicate to you that he had proof that the tools
13 business was an illegal pyramid scheme?

14 MR. SHAFFER: Let me stop you here. You're now
15 asking for material that might be covered by the
16 attorney/client privilege. What I suggest we do here is
17 that you can just give me a standing objection. I won't
18 jump in every time.

19 MR. KUGELE: Okay.

20 MR. SHAFFER: If it's something that's clearly
21 covered by the attorney/client privilege or by work product
22 privilege related to other cases, I'm going to ask him not
23 to answer.

24 MR. KUGELE: Right. And it's my intent to try to
25 stay clear of the attorney/client privilege and only ask

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1 about information that Meade may have taken from the
2 Heckart case and confided to the Scheibelers. That's
3 where -- that's the course I'm trying to steer here.

4 MR. SHAFFER: Okay.

5 MR. KUGELE: Okay.

6 MR. SHAFFER: Well, since your question didn't
7 limit it as to time and said at any time has Mr. Meade ever
8 told you, you're obviously going to get into areas where
9 we're representing the Scheibelers. So if you want to
10 grant me a standing objection on the record, I won't jump
11 in.

12 MR. KUGELE: That's fine. That's fine. I'll
13 grant you that.

14 MR. SHAFFER: All right.

15 BY MR. KUGELE:

16 Q Do you recall the question?

17 A If you could re-ask it.

18 Q Okay. Did J.B. Meade ever indicate to you that
19 he had proof that the tools business was an illegal pyramid
20 scheme?

21 A No. I was enthusiastic about his representation
22 only because he was the only attorney that I had spoken
23 with willing to represent us that understood what Amway and
24 its distributor force had done. And I actually believe I
25 had far more documentation than he had ever had access to

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1 because I was the highest level distributor that he had the
2 opportunity to represent. I was an insider.

3 Q Okay. Did -- and what status had you achieved
4 within the --

5 A Founders emerald. The level just before diamond.

6 Q Okay. Okay. That's very good. Did J.B. Meade
7 ever mention to you the Heckart case?

8 A No. He mentioned that he was involved in the
9 Taylor case.

10 Q Okay. Did he mention any details to you about
11 the Taylor case?

12 A No.

13 Q Okay. Have you ever heard the name James
14 Wynhausen?

15 A Never heard that.

16 Q You've mentioned to me that you know the name
17 Sidney Schwartz.

18 A Yes.

19 Q Have you ever talked to Sidney Schwartz?

20 A On one occasion.

21 Q Okay. When was that?

22 A I was speaking with Gerry Hayden, and he said you
23 heard about the distributor -- I had a death threat at the
24 time personally. I was told what -- by an Amway diamond
25 what gun will be used to kill me if I messed with our

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1 Q Okay.

2 A I've never seen him or met him.

3 Q Okay. All right. Did he ever mention to you or

4 send you any information about the Heckart case?

5 A No, he's never sent me any information.

6 Q Okay.

7 A Verbally -- with the exception of that Texas

8 kidnapping and murder was the only information he ever

9 communicated directly to me.

10 Q Okay. During the telephone conversation, did he

11 ever mention the Heckart case to you?

12 A No.

13 Q All right.

14 A We discussed no lawsuits.

15 Q Okay. Has anyone else -- you mentioned that you

16 had conversations with Gerald Hayden?

17 A Yes.

18 Q Okay. How -- how many conversation did you have

19 with him?

20 A Six to ten, maybe. I visited him at his house.

21 Q How many times did you visit him?

22 A One occasion to provide documentation for his

23 case.

24 Q What kind of documentation did you provide him?

25 A I believe that was just a batch of tapes, high

1 A More on a personal level than a legal level

2 having anything to do with the case.

3 Q Did you ever have conversations with anybody else

4 where the Heckart case may have been discussed?

5 A No. I had quite a few conversations but the

6 Heckart case never came up. I was aware of it from

7 Sidney's web site, but it was a minor case so I may have

8 read it once, but it wasn't -- it was an old, small case so

9 it never really had any bearing on anything I was doing.

10 Q What did you see on Schwartz's web site that made

11 you aware of the Heckart case?

12 A I believe the case itself was posted. Again, I'm

13 guessing. There was a large number of cases against Amway

14 and its distributor force that was posted there, but I

15 believe that was one of them. It never really stood out.

16 I mean the Breakheart lawsuit stood out because it was a

17 \$50,000,000.00 sum, and the Texas Amway distributor lawsuit

18 stood out because it was \$200,000,000.00, a large number,

19 high level distributors, but that was sort of a small,

20 nonissue case.

21 MR. KUGELE: Let's just mark this real quickly as

22 Exhibit Number 2.

23 (Whereupon, a document was produced and marked as

24 Deposition Exhibit No. 2 for identification.)

25 BY MR. KUGELE:

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1 level tapes, emerald -- emerald leadership meeting tapes.

2 Q Did you visit him on any other occasion?

3 A No.

4 Q Okay. And how many times do you think you talked

5 to him on the phone?

6 A That's probably six to ten.

7 Q Did you ever have any e-mail communication with

8 him?

9 A Yes.

10 Q On how many occasions?

11 A Ten, twelve, I'm guessing.

12 Q Did you ever have any other written communication

13 with him like by mail or anything like that, US mail?

14 A Only when his attorney ultimately shipped the

15 documentation back to me.

16 Q Okay. By the documentation, you mean the tapes

17 that you gave him?

18 A Yes.

19 Q Okay. Did Gerald Hayden ever raise with you the

20 topic about the Heckart case?

21 A No. His concern was only his case. It was

22 helpful for each of us because we had been defrauded in an

23 identical fashion, so it was helpful to speak to someone

24 else that understood the situation.

25 Q Okay.

1 Q I'm going to give you what's been labeled as

2 Exhibit Number 2. And these are the various documents that

3 were filed here in Lycoming County Court relating to this

4 deposition.

5 A Right.

6 Q Did you see any of these documents?

7 A I glanced through it. Yes.

8 Q Okay. All right.

9 A I received a copy of this.

10 Q Okay. You received a copy of this. If we -- if

11 you look at -- let's see. There's a page that's

12 handwritten on there, Exhibit A.

13 A Where are you at now?

14 Q It looks like this. Up here it says page 08 at

15 the top.

16 A Okay.

17 Q Okay. And the first few requests there just ask

18 for any documents that you might have. And I guess I'm

19 just wondering, did -- do you have any documents that are

20 responsive to any of these requests, and go ahead and take

21 a look at it?

22 A No. No, I've never had or seen anything in

23 relation to the Heckart case.

24 Q Okay. All right.

25 A With the exception of anything that may have been

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1 posted on Sidney's site. The only thing on that was just
2 the text of lawsuits.

3 MR. KUGELE: Right. Okay. I have no further
4 questions.

5 THE WITNESS: Okay.

6 MR. SHAFFER: I've got a couple. Could we take a
7 quick break?

8 (Whereupon, a recess was taken from 11:00 a.m.
9 until 11:07 a.m..)

10 AFTER RECESS

11 CROSS-EXAMINATION

12 BY MR. SHAFFER:

13 Q Mr. Scheibeler, I'm Mike Shaffer and I'm
14 representing Mr. Meade, and I want to follow up on some of
15 the information that you gave opposing counsel for Amway.

16 You mention -- he showed you a copy of the complaint, this
17 Exhibit 1. And in the complaint it says -- and I'll quote
18 from paragraph 32. Amway has known -- I'm sorry.

19 "Since 1981, Amway has known about the other
20 defendants" -- meaning the distributors that work for
21 Amway -- their "significance abuses of authority to coerce
22 the sale of motivation within their sales organizations."

23 Now, what does that mean, to coerce the sale of motivation?
24 Can you kind of break that down for the jury?

25 A Well, there's mandatory participation in the tool

1 products, is what you're telling me?

2 A I can't -- I don't think I can discuss things
3 that we've got in deposition in our case.

4 Q Well, just from what you learned.

5 A We're led to believe -- we're led to believe,
6 yes, that he created tremendous wealth, he and other
7 diamonds, in the Amway business. And what I subsequently
8 discovered after almost a decade involved in Amway and
9 recruiting thousands of people into the organization, was
10 that almost none of the diamonds' money has come from
11 Amway. And in many cases as much as 96 percent of it comes
12 from the forced consumption of books, tapes and seminars.

13 Because what is alleged is that there's a hundred
14 percent success rate in the system, and what the system is,
15 is a motivational system of books, tapes, seminars and
16 videos. And you're told there's a hundred percent success
17 rate in the system and there's zero percent success rate
18 out of it. And we had literally hundreds of people come in
19 and corroborate that, one diamond couple after another.

20 A former pastor, a former attorney, or -- Joe
21 DeVictor is an attorney. He's a -- he was an attorney.
22 He's a crown level distributor now. One after another came
23 in and gave all the praise for their success in Amway as a
24 result of what they learned in the system. So you're
25 indoctrinated to believe that there's zero percent outside

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1 business. And let me describe the tool business first and
2 then describe how and why the participation is made
3 mandatory, and then back to the fact that Amway was well
4 aware of it, because I want to break down what we're
5 talking about.

6 Q Okay.

7 A First and foremost, when you're recruited into
8 the Amway business by Amway distributors, we were -- one of
9 the primary tools that was used for us is called a profile
10 for success. It's a book of a hundred some odd Amway
11 diamonds which are individuals allegedly who make 300,000
12 to well over a million dollars a year in Amway. That's
13 what you're told.

14 Q Now, is that true?

15 A No, it's absolutely false, but you don't realize
16 that. And the reason I didn't realized it -- I'm not
17 naive, I was a federal auditor. The one whose organization
18 we were recruited into was Fred and Linda Harteis. He
19 wears a hundred thousand dollar ring. It's a ten carat
20 ring. He had a million dollars in automobiles. He had a
21 million dollar house. He had a 300,000 acre ranch and he
22 bought a private island. So when people were recruited
23 into this organization, it has all the air of credibility.

24 And --

25 Q So he's made a lot of money selling Amway

1 of this motivational educational system.

2 Q Okay. So to summarize what you've told me so
3 far, they tell you that they are very wealthy from selling
4 Amway soap or whatever the other products are.

5 A Right.

6 Q And then they tell you that in order for you to
7 have the same success, you have to buy the tapes,
8 motivational materials, and what did you say, rallies or --

9 A Yes, seminars. And you will not get help if you
10 don't, is the -- that's the big leverage.

11 Q And that's what makes it mandatory?

12 A Yes.

13 Q Okay.

14 A They say it's optional, but so is success. So
15 the point of saying you can -- I think we missed one
16 seminar in nine a half years, and they're a minimum of one
17 a month, and it was when she had a C-section. They said
18 you're allowed to miss a seminar if there's a death in the
19 family, yours, was the joke. But you had to be that
20 fiercely loyal to the system, and they allege that all
21 their success was predicated to their loyalty to that
22 system. And it appeared to be true. They were very
23 wealthy. I mean, it sure appeared that way.

24 Q Now, did it cost you anything to go to the
25 seminars and buy the tapes and buy the --

1 A Yes.
 2 Q -- other material?
 3 A The tapes are -- in our motivational organization
 4 were six dollars each, plus tax and shipping, and you
 5 were -- would buy two a week. So you're looking at a
 6 distributor force of thousands and thousands forced to
 7 consume at least \$11.00 each a week of tapes, and then
 8 books and then videos. The seminars cost anywhere from ten
 9 to five hundred dollars.

10 Q Wow. Who gets the profit?

11 A We were told there was no profit, that theses
 12 were -- this whole system was run at break even, or
 13 sometimes even a loss, to help distributors learn how to
 14 succeed in the Amway business.

15 Q Is that true?

16 A Completely false.

17 Q And what do you know about that?

18 A I discovered -- I believe -- when I left -- when
 19 we went inactive and I believed I discovered fraud, I
 20 wasn't completely certain of it, which is why it was hard
 21 to leave and make the decision. A woman named Ruth Carter
 22 wrote a book and published a diamond's tax return, and in
 23 that Amway diamond's tax return it showed that, I believe,
 24 less than six percent of his income ever came from Amway.
 25 The whole thing had been a sham. As a matter of fact, if

1 characterizations of Amway Corporation.

2 BY MR. SHAFFER:

3 Q Go ahead.

4 A Yes, people are being -- don't know that they're
 5 being recruited into an organization other than -- that
 6 there's anything other than Amway, when, in fact, there's a
 7 whole another organization that's integral to the billion
 8 dollar sales of Amway, and that's the motivational
 9 organization of the distributors.

10 Q So for you and your wife, I mean was there some
 11 point where the light bulb went on when you realized that
 12 you really can't make money selling Amway products as they
 13 promised you; you can, but you're going to have to become
 14 part of the sales fraud and force people to buy
 15 motivational materials if you want to make money?

16 A No.

17 MR. KUGELE: I'm going to object to the
 18 characterization. Go ahead.

19 THE WITNESS: We were led to believe at the
 20 emerald level, we would make a six figure income, and were
 21 led to divest ourselves of any other investments or -- that
 22 we have. Retire from my job -- "retired", sold any other
 23 assets that we had because they were diversions from our
 24 success in the Amway business, or so we were led to
 25 believe, and we went -- emerald, we were making under

1 you -- as an auditor, I looked at the numbers. If you look
 2 at his tax return, you run the expenses through his
 3 business that he has, just from his Amway income, he would
 4 lose about \$20,000.00 a month in income.

5 Q On Amway soap or whatever --

6 A Yes.

7 Q -- the Amway product?

8 A Yes.

9 Q Okay.

10 A So the fraud that I referred to is the fact that
 11 people are brought in based on this incredible life-style
 12 and economic success of the Amway distributors, diamond
 13 level distributors, when, in fact, a lot of them don't make
 14 a net income of one dollar on Amway. Almost all their
 15 profits come from recruiting -- using Amway as a shell
 16 corporation to recruit people into their secret
 17 motivational organization, which is where all their income
 18 has come from.

19 Q So people are paying to be kind of part of this.
 20 I mean some people call it a cult or a sales -- you know,
 21 sort of a spirit organization; but people are paying to be
 22 part of that, and these guys that claim to be making money
 23 from Amway are actually making it from the people who want
 24 to be part of that sales organization?

25 MR. KUGELE: I'm going to object to the

1 \$30,000.00 a year.

2 And we were led to believe for years that somehow
 3 we had failed morally or in our -- in our faith or belief
 4 or effort, even though I was working over a hundred hours a
 5 week and traveled from here to -- we went to South America,
 6 we went to the Philippines. We had business in Europe. We
 7 recruited thousands into the organization, including our
 8 own family members, and still lived at almost a poverty
 9 level income, after taxes, for a family of five.

10 BY MR. SHAFFER:

11 Q And where did you work before that?

12 A I was an underwriter for Liberty Mutual.

13 Q Okay. And you say you had been a government
 14 auditor as well?

15 A I was a federal auditor prior to that, yes.

16 Q For what agency?

17 A The Federal Energy Commission.

18 Q Okay. So you left those jobs and -- to pursue
 19 this promise that Amway gave you?

20 A Right.

21 MR. KUGELE: Objection. I'm going to object to
 22 that characterization.

23 THE WITNESS: To pursue the end success in the
 24 Amway business --

25 BY MR. SHAFFER:

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1 Q Okay.

2 A -- is what we left it for, yes. And we --

3 Q And you were going to tell me that at some point
4 there was a realization between you and your wife and you
5 or others?

6 A Yeah, it took a while. I had to get off the
7 tapes for several months to be able to even to begin to
8 think clearly. An experience we had was very cultish in
9 nature. It's what was reported in Forbes, you know, a
10 decade and a half prior to that. I actually had to see a
11 cult exit programmer for two days, his name's Steven
12 Hassen, and he's the number one exit programmer in the
13 nation in Boston, to begin to think clearly after being
14 immersed in this motivational success organization.

15 Q Okay. When you say exit, it sort of -- just to
16 summarize that. I mean was it -- Amway has sort of set
17 themselves apart, somehow, from the normal business world?
18 I mean what are you exiting?

19 A It's a cult. Not Amway itself, but the
20 motivational organization that Amway supports and
21 financially rewards is run with the same cult principles
22 that Scientology uses or the Unification Church uses.

23 Q How does Amway deal -- and how do you deal with
24 all this information that's out in the community that says
25 that? I mean people that -- you can see it on TV or in the

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1 newspapers.

2 A Well, it's not, though. That information's been
3 buried in a systematic effort by both Amway and its
4 motivational organizations to keep that information from
5 the public so they can continue to recruit new couples like
6 us who will dump a decade of our lives into this.

7 Q Okay. At any point were you asked to become part
8 of the sales network or pyramid that sells the tools?

9 A Probably the first week in the business and we
10 didn't realize it. We didn't realize that there was two
11 separate -- we thought we were just getting in Amway. What
12 we didn't realize is that we were in an Amway motivational
13 organization and we used to consume personally and to
14 promote, market and retail the system to our organization.
15 And we personally were used to somewhere -- to extract
16 somewhere between three and four million dollars, I'm
17 estimating, of good people's money that went to books,
18 tapes and seminars, which is really the real secret income
19 source that our upline Amway diamond was making money from.

20 Q Okay. You're going to have to break that down.
21 How did people pay three or four million dollars to your
22 person above you in Amway --

23 A Lot of tapes.

24 Q -- through your efforts?

25 A Well, it's every week. We recruited an

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1 organization of thousands, literally, around the world into
2 the business.

3 Q You recruited them?

4 A Yeah. Us and our organization did.

5 Q Okay.

6 A Starting with our distributorship.

7 Q Okay.

8 A As soon as they were brought in, whether they
9 were here or in Rosario, Argentina or -- I wasn't -- we
10 went to speak there in a seminar that wasn't our
11 organization -- or the Philippines, is a better example, or
12 Europe, they were immediately indoctrinated with this
13 hundred percent success rate of the system and they were
14 put on this forced consumption of books, tapes and seminars
15 in order to succeed like the Amway diamonds have.

16 Q Okay. Now, let me take you back to -- so that
17 sort of is a very long-winded way of explaining what's in
18 this complaint here, but it says since 1981, Amway has
19 known about this abuse of authority in the sale of
20 motivation within their sales organizations.

21 A That was the most heartbreaking part for me, was
22 not to discover we had been defrauded. That was very
23 difficult. The hardest part to accept was that Amway
24 itself knew about this, that it wasn't, in fact, something
25 that our upline Amway distributors had done independently.

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1 Not only that, Amway had known about it since somewhere
2 around 1979.

3 Rich DeVos, billionaire founder of Amway,
4 personally knew about the abuses that were going to happen
5 to us almost a decade before we were recruited in. And
6 what he talked about in the directly speaking tapes where
7 he called the tool business an illegal pyramid, and all the
8 other things he said must stop and this can't happen, it's
9 illegal, is word for word how we were recruited and trained
10 into this business a decade later.

11 Q When did you learn about the strictly speaking
12 tapes?

13 A Again, I learned about it right when I was
14 beginning to come out and learn the truth about the whole
15 business, the fraud, the tool system and all that, but it
16 didn't have -- I really didn't get that Amway was part of
17 the whole effort until they really started to put screws to
18 us and put the pressure on us.

19 I actually sent them many letters by certified
20 mail to Dan Bailey, who's the head of business rules and
21 conduct, and to the president, Dick DeVos himself, spelling
22 out the entire fraud; and they never took action against
23 Fred Harteis, Amway double diamond, or Dexter Yager, the
24 people that I gave them clear documentation of fraud about.
25 But they had had it already internally for years, again

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1 since -- a minimum of '82, but it looks to me from what
2 Rich says in directly speaking, 1979, the founder had
3 personal knowledge of fraud.

4 Q Okay. Now, you used to be a government auditor
5 so you throw this the term around, fraud.

6 A Yes.

7 Q You said fraud quite a bit. Just breaking this
8 down for the jury again, did he specifically say on those
9 tapes to people within his organization that there was
10 fraud or illegality, or how did he describe it?

11 A Again, you'll have to review the transcript
12 exactly, but I believe he referred to the tool business as
13 an illegal pyramid. I believe that's the exact words he
14 did. Some illegal term like that, illegal pyramid. But
15 also he was well aware way back in the late '70's, early
16 '80's, that people were being coerced into mandatory
17 participation of the forced consumption of these
18 motivational materials.

19 And that was the hardest thing to me to take, was
20 that Amway, not lower level management people -- in a big
21 company there can be a buffer where the information doesn't
22 get to the top; but that the senior man, the founder,
23 billionaire founder, Rich DeVos, personally knew what was
24 going to happen to us, that we would be defrauded, and in
25 fact millions of distributors would be defrauded, and he

1 they indoctrinate their distributor force to consume
2 billions of dollars of Amway products exclusively. And
3 that symbiotic relationship has made the founders
4 billionaires and has made the heads of the motivational
5 organizations multimillionaires, and one would not exist
6 without the other now.

7 Q Okay. So Amway can't do its business without
8 using these distributors?

9 A It could chose to, but it would cost billions of
10 dollars to cut off these motivational distributors and to
11 start all over again. I believe it was a financial
12 decision.

13 Q Okay. Now, the judge or jury may have questions
14 about whether you were in a position to have opinions on
15 this. I mean, do you really know anything about what goes
16 on within Amway? Again, explain to us what your experience
17 was. You started in 1989?

18 A Well, the -- again, the directly speaking tape,
19 which there was a -- were highlighted on some of the web
20 sites, didn't really mean much to me because I really
21 thought that my -- just my upline Amway distributor did
22 commit fraud and had for decades.

23 When we came out of Amway and made public the
24 fraud we had discovered and we actually printed some of the
25 lawsuits and some real specific documentation and sent it

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1 allowed it to continue. Not only did he allow it to
2 continue, they paid the worst offenders million dollar
3 bonuses. They were financially rewarded.

4 Q He was rewarding the people that were committing
5 fraud. Why didn't he cut them off? I mean from your
6 perspective in the organization, why do -- why would Amway
7 allow people to continue in illegal conduct? If they have
8 a legitimate product and they can sell it legitimately, why
9 don't they use honest people?

10 MR. KUGELE: Objection. It calls for speculation
11 of the witness, and I'm also going to object to the
12 characterization.

13 BY MR. SHAFFER:

14 Q You can go ahead and answer.

15 A Very clearly at one point, Amway and the
16 motivational organizations were two separate and distinct
17 entities, I believe, maybe in the '70's. But at some
18 point, looks like early '80's, they joined forced. And
19 again, this is my opinion. But what happened is this.
20 They have a symbiotic relationship where the motivational
21 organizations which perpetrate fraud as a course of
22 business, use the Amway Corporation as a recruitment tool
23 as an apparent legitimate business to bring millions of
24 people into the Amway business.

25 And -- but what they have done for Amway is this,

1 to our management level people, our key distributors, Amway
2 postured to shut our income off and told us we couldn't
3 have contact with downline distributors.

4 We received cease and desist letters almost
5 identical to the one Hayden received in Connecticut from
6 our distributor saying, if you have contact with -- after
7 they had a meeting. If you have contact with us, we'll sue
8 you because you could hurt our financial future.

9 Q This is Amway or your boss within the sales
10 network, is --

11 A They had our own distributor force do it, and it
12 looks like it was a collaborative effort with both --
13 between Amway and the upline diamond that we were dealing
14 with. And the odd thing was, the ones that Gerry Hayden
15 received years ago in Connecticut were worded almost
16 identically to the ones that we got in Pennsylvania. So
17 this wasn't a spontaneous act.

18 Q It wasn't the local people at all, it was really
19 Amway saying these --

20 MR. KUGELE: Objection to the characterization.

21 BY MR. SHAFFER:

22 Q But you feel like you learned enough about what
23 happened to Mr. Hayden and you knew enough about your
24 situation and the way Amway did business that it's -- you
25 think you have a basis for the opinion that it was Amway

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1 that was actually attempting to --

2 A Or collaborative -- collaborating with it.

3 Because when Amway called me, they started with deceit
4 initially. I sent a copy of all the fraud I discovered to
5 them because, again, I didn't think they were complicit
6 when I first came out. And I -- and Dan Bailey got it and
7 Bob Leatherman called me, who was the head of distributor
8 relations for us. And he called me and introduced a
9 gentleman named Dan Bailey, who I assume was from legal,
10 because I sent some pretty scary documentation to them.

11 And they started out with deceit right off the
12 bat. They said, hey, we just heard that you may go
13 inactive in Amway and we don't know why, we'd just like to
14 talk to you about that. And I knew that they had been -- I
15 had mailed them a copy of that but they hadn't received it
16 yet, so I knew they had to have someone fax it to them.
17 And they went around and around, and I said, well, I sent
18 you a package and you'll receive it shortly and I'll
19 discuss the details with you then.

20 They said, well, we -- we don't understand why
21 you would go inactive, being an emerald, and it went on and
22 on and on. And they finally acknowledged that they had
23 received it, they had the information, they had read it.
24 And I said, stop right there. I said, tell me you received
25 this documentation, it was probably 50 pages, and you

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1 didn't discuss it prior to this. And they said, well, yes,
2 we did receive it. We just want to give you an opportunity
3 to speak on your own.

4 But it started right from the bat with deceit,
5 and from there on it went -- it went downhill, where they
6 postured to take disciplinary action against us if we
7 contacted anyone in our organization to reveal fraud. And
8 they eventually did cut off our income. And it was -- the
9 further it went, the more it was -- became painfully
10 obvious it that it was a collaborative effort with our
11 upline diamond and Amway to cut off our income, just to
12 choke us to silence.

13 Q Okay. And Amway could have prevented that from
14 happening, but instead they acted to collaborate with your
15 superior in the --

16 A Right. I provided information of fraud, global
17 fraud, to Amway regarding Dexter Yager and both Fred
18 Harteis, forced participation in the tool business,
19 fraudulent income representations, and they took no action
20 against Mr. Harteis or Yager. I provided that also to Dick
21 DeVos, the president of Amway, personally in both fax and
22 certified letter, and the action they took was cut my
23 income off.

24 Q Okay. Because they owed you sales commissions?

25 A They were coming in monthly from the organization

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1 that we had developed, yes. And it -- they put somewhere
2 total about \$20,000.00 in escrow. We went bankrupt, lost
3 everything in the process. Barely were able to keep the
4 house.

5 Q Almost lost your home?

6 A Still struggling to keep it.

7 Q Okay. And just to recap here. The money that
8 Amway is holding is a sales commission, just like a lot of
9 sales people get --

10 A Right.

11 Q -- a commission after the sale?

12 A Right. Based on the goods and services that the
13 entire organization that we recruited globally is -- was
14 still moving.

15 Q Okay. Now, let me go up to the questioning that
16 opposing counsel had about materials that J.B. Meade
17 provided you or you provided him. At any time did J.B.
18 Meade ever provide you any documents of any description
19 relating to the Heckart case or any other case in which he
20 was involved?

21 A No. There was a one-way flow of documentation.
22 It was from what I had accumulated and documented and
23 culled from various sources to his firm.

24 Q Now, do you know what the Heckarts settled their
25 lawsuit with Amway for back in 1987 or '88?

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1 A No. He discussed no settlements.

2 Q Okay. There are issues which Amway is claiming
3 in this lawsuit that no one would be aware of if J.B. Meade
4 had not released these secrets to the world. I'm going to
5 ask you about some of them and tell me whether you know
6 them to be true or false, and tell me if you have any
7 personal experience or when you --

8 A That's probably easiest, if you ask me if know it
9 to be true or false and where I know it from, will answer
10 your question because you need to know that. If you did --
11 you are aware of this, where did it come from, is a fair
12 question, where do you know the information from.

13 Q Okay. Some -- and I'm not going to tell you
14 where these are found, but there is documentation various
15 places that says the Federal Trade Commission in 1979
16 ordered Amway to cease and desist from illegal activities
17 in the United States. Are you familiar with that?

18 MR. KUGELE: I'm just going to oppose an
19 objection here to the extent that you're characterizing
20 this as something that Amway is saying is not publicly
21 available.

22 BY MR. SHAFFER:

23 Q Okay. You can go ahead and answer the question.
24 Are you familiar with that?

25 A I'm not sure. There was a point they were fined

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1 a hundred thousand dollar fine, which may have been that
2 time, by the FTC. They subsequently at one point reviewed
3 the Amway sales and marketing plan and determined that
4 Amway at the time was -- they judged it not to be an
5 illegal pyramid because there was a retail -- mandatory
6 retail sales.

7 Q Okay.

8 A And on a further case called Webster versus
9 Omnutrition, subsequently used that as a benchmark to
10 determine whether or not a company was an illegal pyramid
11 or not. The problem with that is that Amway has known --
12 known that there are not retail sales made by every
13 distributor.

14 Their code of conduct requires at the point we're
15 in, that retail sales be made to ten distributors in a
16 month to get a bonus when, in fact, we were taught that the
17 Amway business was basically a wholesale buying business
18 where you buy from yourself and teach other people to
19 consume their own products and recruit others who do the
20 same, when, in fact, that makes an illegal pyramid. And
21 that's what we were taught to do for virtually a decade, is
22 to recruit people and teach them to buy from themselves,
23 not to retail Amway products to customers.

24 Q If you teach people to buy for themselves only
25 and they're not selling it outside the organization, then

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1 it's illegal because it's a pyramid; is that right?

2 MR. KUGELE: I'm going to object to that
3 mischaracterization of the law.

4 BY MR. SHAFFER:

5 Q All right. I think it's correct. But go ahead.

6 A Right.

7 Q Is that what you told me?

8 A The law states that Amway was not a pyramid.

9 That gives you the decision --

10 Q Right.

11 A -- not the law.

12 Q Right.

13 A They have to give you a decision saying Amway is
14 not a pyramid because these safeguards are in place. And
15 one of the safeguards they specifically reference is the
16 ten customer rule. Webster versus Omnutrition determined
17 that another company was, in fact, an illegal pyramid
18 because even though they had a marketing plan like Amway,
19 they did not enforce the retail customer rule.

20 Q So they really weren't selling outside the
21 organization, they were only selling to people who joined
22 the organization?

23 A Right. Because we recruited a large number of
24 professions.

25 MR. KUGELE: I just want to interject an

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1 objection to his characterization that the Amway
2 business -- if that's what that was.

3 MR. SHAFFER: Okay.

4 MR. KUGELE: Okay.

5 MR. SHAFFER: Go ahead.

6 MR. KUGELE: Go ahead.

7 THE WITNESS: What -- the reason that we were

8 able to recruit thousands of people into Amway, and
9 actually millions overall were recruited in short time
10 frames, is no one wants to go sell Amway. But when you
11 were recruited with the proposition that how'd you like to
12 get paid for buying the same things that you buy normally
13 now, and instead of giving the profit to Sam Waldon, it
14 goes back in your own pocket and invested in your kids'
15 college education fund. You buy things from yourself, it's
16 delivered to your home. You just teach other people to do
17 the same thing. That was very appealing.

18 BY MR. SHAFFER:

19 Q I've heard the pitch.

20 A Right. And so that's what was promoted to us
21 when, in fact, it appears using as a benchmark the FTC
22 decision, we were recruited into and taught to build two
23 illegal pyramids, in my opinion. One is the Amway business
24 without retail sales. We never in a single month sold
25 products to ten customers in ten years, and neither did the

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1 thousands of people in our distributor force. But also the
2 motivational tool business, Rich DeVos himself, the
3 billionaire founder of Amway, himself defined the tool
4 business as an illegal pyramid.

5 Q Okay.

6 A So in my opinion, we were recruited over a decade
7 period almost to build two illegal pyramids.

8 Q Okay. There was -- let me ask you about some
9 other items that are in these. So that was in 1979 that
10 the FTC investigated. In 1983 there are public documents
11 saying Amway pled guilty to illegal customs violations in
12 the country of Canada, paid a 20 million dollar fine.

13 A I believe it was 26 million.

14 MR. KUGELE: Again, I'm going to --

15 BY MR. SHAFFER:

16 Q Okay. And when did you learn of --

17 MR. KUGELE: I just want to interject my
18 objection. Maybe you want to give me a standing objection.
19 I mean I think you're going to go through a list that
20 you're saying that Amway is saying is not publicly
21 available. I guess I'm just -- I just want to object to
22 the extent that that may not be Amway's position with
23 respect to this list of items. Do you want to just give
24 me --

25 MR. SHAFFER: Yes.

1 MR. KUGELE: -- a standing objection --
 2 MR. SHAFFER: Yes.
 3 MR. KUGELE: -- on that?
 4 MR. SHAFFER: Yeah.
 5 MR. KUGELE: Okay.
 6 THE WITNESS: Amway pled guilty to customs fraud.
 7 I believe that one of the report amounts is 26 million.
 8 There's various ones. And I think that was in Forbes
 9 magazine as well as multiple web sites.
 10 BY MR. SHAFFER:
 11 Q And was that something you learned from J.B.
 12 Meade?
 13 A No. No, I provided that to him.
 14 Q Okay.
 15 A He may have already been aware of it, but it's
 16 part of the documentation I gave him.
 17 Q Okay. Now, as you mentioned a couple of times in
 18 this deposition, in 1982 or 1983, the president of Amway,
 19 Rich DeVos --
 20 A Rich.
 21 Q Rich DeVos announced that Amway distributors were
 22 selling motivational materials illegally to people that
 23 they were trying to bring into their system. Is that
 24 right?
 25 MR. KUGELE: I'm going to object to that

1 Q Okay. So did anything J.B. Meade tell you add to
 2 your understanding that it was an illegal pyramid?
 3 A No. If anything, we had a disagreement over that
 4 because I really wanted to push that as part of our suit,
 5 and he didn't think it was one of the most cogent issues.
 6 If anything, I pushed that more than -- my belief that that
 7 was one of the more salient points of our suit than he did.
 8 Q Okay. We've talked a little bit about the
 9 misrepresentations which you believe Amway diamonds --
 10 that's sort of the senior sales force -- uses. When did
 11 you first reach the understanding that Amway diamonds used
 12 false statements about their wealth to fool people into
 13 joining Amway?
 14 A Well, that's not a lightning bolt, there was one
 15 day it was -- I trusted the Amway diamond that I had worked
 16 with as my own father. So it was over a course of time.
 17 But I would say from March, '99 on, through what I would
 18 discover on the web site and through what I was watching
 19 happening around me, I began to -- first I was violently
 20 offended by the information I found on the web. And then
 21 the more I started to pay attention to what was happening
 22 around me, I become aware that it was true and I was part
 23 of something that was fraudulent.
 24 Q Let me read you this statement and let me tell
 25 you whether you believe it to be true. Amway diamonds

1 characterization of what Mr. DeVos said.
 2 BY MR. SHAFFER:
 3 Q When did you first learn that? Was that before
 4 you met J.B. Meade or after?
 5 A That Rich DeVos was aware of it?
 6 Q Right.
 7 A Well before I met J.B. Meade.
 8 Q Okay. There is an allegation that J.B. Meade
 9 told people that Amway sales and marketing plan, as used by
 10 Mr. Britt, Mr. Yager, Mr. Perrier and others, is an illegal
 11 pyramid. Now, did you learn that from J.B. Meade or did
 12 you learn it from some other source?
 13 MR. KUGELE: I'm sorry. Can I have that repeated
 14 to me? I think I need to object, but I didn't follow the
 15 whole question.
 16 BY MR. SHAFFER:
 17 Q There's an allegation that Mr. Meade told people,
 18 and it's in your complaint in general terms, that the Amway
 19 sales and marketing plan -- that's a title, the sales and
 20 marketing plan, as it's used by Mr. Britt, Mr. Yager, Mr.
 21 Perrier and others, is an illegal pyramid. Now, you've
 22 already described that you believe that to be true. When
 23 did you first learn that?
 24 A When I first studied the FTC decision and the
 25 Webster versus Omnutrition decision.

1 consider their personal business to be the tool business
 2 and that is their primary source of income. Is that true?
 3 MR. KUGELE: I'm going to object here because --
 4 I'm going to object to the extent that this violates the
 5 terms of the protective order in place in Heckart and
 6 perhaps elsewhere.
 7 MR. SHAFFER: Counsel, my understanding is Amway
 8 has violated that protective order by filing all the
 9 materials in court in public -- in a public file, including
 10 the amount of settlement, the settlement agreement and
 11 other things that are supposed to be confidential.
 12 MR. KUGELE: There is a document in that case in
 13 particular that I think this comes from, and that has not
 14 been filed publicly. And so we're taking the position that
 15 that document is confidential, that it's covered by the
 16 Heckart protective order. That protective order is still
 17 effective, and that -- I'll have to research this, but
 18 perhaps if you're going to be quoting from the document,
 19 that that may violate the terms of that Heckart protective
 20 agreement.
 21 MR. SHAFFER: I don't think there is a protective
 22 order.
 23 MR. KUGELE: Well, there was a confidentiality
 24 agreement. Let me rephrase that. In any case, if you're
 25 going to be quoting from documents that are protected by

1 that confidentiality agreement, it would be my position
 2 that that is a violation of that court action agreement.
 3 MR. SHAFFER: Well, I didn't say I was quoting
 4 from a document. I'm making statements and I just want the
 5 witness to testify whether they know that to be true and
 6 how they learned it.

7 MR. KUGELE: What's to respond to the general
 8 statement.

9 BY MR. SHAFFER:

10 Q The general statement is Amway diamonds consider
 11 their personal business to be the tool business and that's
 12 their primary source of income. Do you consider that to be
 13 true?

14 A I know it to be true, that the true source of
 15 their income is secretive. It's not Amway. It's their
 16 motivational businesses.

17 Q And did you have that belief or opinion before
 18 you met J.B. Meade?

19 A Very clearly.

20 Q Okay. As a general matter, it is said that
 21 diamonds accumulate the majority of their money from a
 22 rally system that draws revenues from gate receipts,
 23 speaker fees and other revenues associated with rallies.
 24 Do you have personal experience that would lead you to
 25 believe either that is true or false?

1 run by the Amway diamonds and emeralds, is an illegal
 2 pyramid scheme. Did you have that belief or opinion before
 3 you meet J.B. Meade?

4 A Yes, clearly.

5 Q Okay. And it's been said that the tool business
 6 or motivation business is illegal because it is a pyramid
 7 that sell only to people who join its structure. Is that
 8 something you knew before you met J.B. Meade?

9 A Yes, as defined by Rich DeVos in directly
 10 speaking.

11 Q Okay.

12 A He defined it as an illegal pyramid because it
 13 served no one outside the system. It only took from -- I
 14 believe his exact words, it only took from the
 15 organization.

16 Q Okay. Great. Now, how did you come to this
 17 deposition today? I'm curious. How is it that Amway found
 18 you and wanted you to be a witness in this case, if you
 19 know?

20 A We personally sued them.

21 Q Okay.

22 A Amway, Rich DeVos.

23 Q Okay. And I know you're not supposed to talk
 24 about that case. How did you first find out that you were
 25 going to be forced to produce -- or that you were going to

1 A First need to define -- rally is an internal
 2 Amway motivational term for seminars. So that is one of a
 3 multi-prong system of their secretive income source, which
 4 is books, tapes, seminars, videos. And, yes, that is a
 5 true statement. That's factually the -- where their income
 6 truly comes from.

7 Q And did you have that belief or knowledge before
 8 you met J.B. Meade?

9 A Yes.

10 Q It has also been said that diamonds and emerald
 11 distributors make deliberate displays of material success
 12 in order to mislead people into paying them -- paying them
 13 for tools, motivational materials and rallies, in other
 14 words. Do you have personal experience which would lead
 15 you to believe whether that's true or false?

16 A Yes. The financial wealth of the Amway leaders,
 17 particularly the diamond level distributors, are -- is
 18 almost the sole recruiting tool to bring people into the
 19 business, is the success. That's why people become part of
 20 the organization of Amway.

21 Q And did you have that knowledge or belief before
 22 you met J.B. Meade?

23 A Yes, clearly.

24 Q I'm going to just recap a couple others. It's
 25 been said that the tool business or motivation business, as

1 be involved in --

2 A That our attorney and their firm were involved?

3 Q Right.

4 A One step further backwards. J.B. did not reveal
 5 it to me. I asked him, because I spoke with -- again, with
 6 Gerry Hayden and he told me that some attorneys and their
 7 firms were being sued in harassment suits almost as a
 8 diversion to keep them from representing Amway clients.
 9 And I mentioned it to J.B., and he said kind of sheepishly,
 10 I'm one of them.

11 Q Okay.

12 A And that's when I became aware that they had gone
 13 after him and his firm also.

14 Q And did Amway send a process server out to you or
 15 your family in connection with this case?

16 A Yeah. It's embarrassing. When the sheriff
 17 showed up at our house, our neighbors watched the sheriff
 18 come to the door.

19 Q Why did the sheriff come?

20 A To serve the papers.

21 Q Oh. See, in Washington they're not served by law
 22 enforcement.

23 A Oh, no. We had the police car pull up and
 24 everything, park in our driveway.

25 Q Did you have any idea why he was there?

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1 distinguish between the rules that are published in the
2 rules compendium and separate guidelines that were put out
3 by Amway. I'm just trying to get an idea if you have an
4 understanding as to --

5 A If you could reference them directly.

6 Q Okay. All right. I guess I don't have a copy --

7 A There's many things that come out, the Amagram
8 and subsequent publications that are updates and opinions
9 of the founders and managers of Amway.

10 Q Okay. All right.

11 A I'm not being evasive. There's -- I mean,
12 there's a lot that comes out even monthly about --

13 Q Right.

14 A -- updates.

15 Q Okay. All right. So you say -- you had
16 mentioned the Amagram. Do you get the Amagram?

17 A Yes.

18 Q Okay. Do you ever see anything in the Amagram
19 that talks about the tools business?

20 A After all the lawsuits, now you do.

21 Q Okay. All right.

22 A You still see the two and three million dollar
23 homes and the jets and the life-styles, which is what's
24 used in an inducement to recruit people still.

25 Q Okay. All right. Okay.

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1 A This issue -- this issue, for example, has Don
2 and Lee Storms. It's got their -- I believe it's a Hawker
3 jet featured in it as well as their 19,000 square foot home
4 and all the -- you know, the trappings of Amway or Quick
5 Star success. When if you had their financials here, you
6 and I and Rich DeVos know that there's not a lot of net
7 income from Amway or Quick Star, nor has there ever been.

8 Q Have you seen their financials?

9 A Not, but pick a diamond at random.

10 Q Okay. Well, have you -- have you seen Dexter
11 Yager's financials?

12 A No.

13 Q Okay. Have you seen --

14 A Fred Harteis's, yes.

15 Q Okay, you've seen Fred Harteis's.

16 A I've seen another Yager diamond's.

17 Q You've seen their financials?

18 A Yes.

19 Q Okay.

20 A An infinitesimal fraction of their income and
21 their life-style --

22 Q All right.

23 A -- comes from where they say it comes from.

24 Q Do you know, though, what the percentage of tools
25 represents within their downline organization compared to

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1 total Amway sales?

2 A If I can assume that our organization was
3 representative of our upline diamonds, yes.

4 Q Well, I'm not asking you to make that assumption.
5 I'm asking you, do you know what the percentage of tools
6 business is for the downline organizations, let's say of
7 Yager, compared to the sales of Amway products within that
8 organization?

9 A No. It's extremely secretive.

10 Q Okay.

11 A And the BSMA was crafted as a gag order to make
12 sure no one ever got that information.

13 Q Okay. Well -- all right. So you don't know
14 whether the total sales of product within Yager's downline
15 organization, and then the total sales of BSM within that
16 organization, whether that sale of BSM exceeds 20 percent
17 of the sale of Amway products?

18 A I don't think it's relevant. The relevant
19 question is, is Yager using -- and all his diamonds, their
20 success, their alleged success as "Amway or Quick Star"
21 distributors, to recruit thousands of people to participate
22 in Quick Star and Amway. And the answer is yes. And is
23 that fraud? Yes.

24 Q Well --

25 A What the number is, is irrelevant. We can play

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1 with numbers.

2 Q That's not my question, though. I'm just asking
3 you whether you know whether the sale of BSM's within the
4 Yager organization is more than 20 percent of the sale of
5 Amway goods within the -- within the Yager organization?

6 A No, that's highly secretive for reasons that are
7 self evident.

8 Q Okay.

9 A If you're perpetrating fraud, you wouldn't
10 publish financials on it.

11 Q But the answer is you just don't know what that
12 percentage is?

13 A Right.

14 Q Okay. You mentioned that you had seen a cult
15 exit programmer, Steve Hassen?

16 A Yes.

17 Q Okay. All right. Did he tell you, you were in a
18 cult?

19 A Yes. He said the symptoms that I had were
20 identical to those of people that have left many other
21 cults.

22 Q Okay. All right. You used the term
23 Scientology -- you compared Amway to Scientology and the
24 Unification Church. Have you ever been a member of either
25 the Church of Scientology or the Unification Church?

1 A That's okay. But that was ultimately sold by
2 them to their distributor force who are nondirect
3 distributors at retail, and sometimes it was a quarter
4 break on a tape, 25 cents, to -- or depends on what their
5 level in the business was. So --

6 Q Okay. All right. So anybody who was in your
7 organization who was below the nonqualifying -- or below
8 the qualifying direct or profit sharing direct, bought the
9 tools at the full retail price?

10 A Exactly. And 99 percent of the distributor force
11 never knows there is a tool break because most of them are
12 not directs. We never knew it existed until we went profit
13 sharing direct and then had this secret meeting with our
14 upline.

15 Q Okay. So 99 percent of the distributors were
16 buying the tools at the full retail price?

17 A Right. And believing that's the same price
18 everyone paid. Yes.

19 Q Okay. And it was just a very small portion,
20 then, that were getting a break on the tools?

21 A Right. And that was man -- it was not -- we had
22 no say in it. That was mandated by our upline double
23 diamond, Fred Harteis. We were told exactly what breaks to
24 pass on to what people at what level. So it was a process
25 again that we had no control over.

1 but he's a crown ambassador Amway distributor. So I mean
2 they're working side by side.

3 Q He sells Amway products for Amway?

4 A Yes.

5 Q Okay.

6 A Yes. Has a large motivational organization. And
7 he talked about the -- him working in this tape with senior
8 Amway management to craft this document which would prevent
9 there ever being another Hammerhand. And Hammerhand was a
10 class action suit -- and actually out of Philadelphia, I
11 believe -- against Amway and its motivational distributors
12 for essentially the same fraud we discovered.

13 And so what we were forced to sign, the BSMAA,
14 now and any distributor that gets in and is on the tool
15 system, again which is mandatory, has to sign this. We
16 were told we would lose our business if we didn't sign it.
17 And essential what it is, it's an agreement to arbitrate.

18 If you discover fraud in the tool business, you're forced
19 into arbitration, but also binding silence. You can't talk
20 to anyone else that may have been defrauded to share
21 documentation or to collaborate on a case.

22 Q What happens if you give information about your
23 experience to other distributors?

24 A You can't give it to anyone. Once you're forced
25 into arbitration, I can't speak to my own mother about what

1 Q Okay. All right.

2 A We were sort of, I mean, middlemen, if you are.

3 MR. KUGELE: Okay. That's it. I don't have any
4 other questions.

5 RECROSS-EXAMINATION

6 BY MR. SHAFFER:

7 Q I just have a couple follow up on opposing
8 counsel's question. He asked you about these guidelines
9 that Amway sends out. And I guess his point was there are
10 guidelines that go out to its sales force. And your point
11 was there are guidelines, but Amway doesn't practice what
12 they preach. Do you -- and you guys talked about the BSMA
13 or BSMAA or something like that. Can you tell the jury
14 what is -- what does all that mean?

15 A It's essentially a gag order. There was many
16 lawsuits on the internet, which is what helped bring me
17 out, understand what had happened to us and how we were
18 defrauded. And we were at a meeting where Jody Victor,
19 who's one of the highest level distributors -- Amway
20 distributors, talked about working with senior Amway
21 management to craft this BSMAA. At that time we had no
22 idea what it was.

23 Q Okay. Now, Mr. Victor is not a direct employee
24 of Amway, he's something else?

25 A He is and he isn't. He's not on their payroll,

1 happened to us and Amway or the motivational organization
2 because of this gag document.

3 Q Okay.

4 A It's the business support materials arbitration
5 agreement, is what the acronym stands for.

6 Q Business support materials --

7 A Arbitration.

8 Q -- is what they call these tapes?

9 A That's the tools. Right.

10 Q Okay.

11 A So if you discover you've been defrauded and take
12 legal action on it, you can never go public and you can
13 never be part of a class action to collaborate what
14 thousands or tens of thousands or hundreds of thousands of
15 other distributors who have been defrauded.

16 Q Okay. Now, I think the people in the jury may
17 want to know, is this BSMAA the business support materials,
18 basically secrecy agreement, is this coming from Amway or
19 is it coming from Mr. Victor and the sales people?

20 MR. KUGELE: I'm going to object to the
21 characterization. Go ahead, you can answer.

22 THE WITNESS: Sure. You can play the tape. Our
23 attorney has that tape for our case.

24 BY MR. SHAFFER:

25 Q Okay.

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1 A But Jody Victor talks about crafting it in
2 collaboration with Amway senior management and how they're
3 actually going to implement it into the kit and part of
4 the --

5 Q Into the kit?

6 A The Amway sales and marketing kit is part of the
7 application.

8 Q Okay.

9 A So from the tape, it clearly sounds like it was
10 crafted in a collaborative agreement again between the
11 Amway motivational organization leadership, which Jody
12 Victor is certainly one of them, and Amway Corporation
13 itself. But again, are they two different things? It
14 looks like one of them. Here's a description of how this
15 is being crafted.

16 Q Okay. And the affect of the agreement is --

17 A Silence.

18 Q Just to summarize what you said. You can't sue
19 Amway in court and you can't sue the Jody Victors of the
20 world either?

21 A Nor can you make the fact that you were defrauded
22 public.

23 Q Okay.

24 A So the lawsuits will never show up on the
25 internet again because there won't be one. They've been

1 court --

2 A I have documented that.

3 Q All right. But you don't have any finding by any
4 court that Amway engaged in fraud in connection with the
5 BSM business?

6 A Not yet, no.

7 MR. KUGELE: Okay. All right. That's all the
8 questions I have.

9 RECCROSS-EXAMINATION

10 BY MR. SHAFFER:

11 Q I can't resist following up. I'm sorry to drag
12 this out. One more question for the jury.

13 A Order pizza.

14 Q Do you know how much Amway paid the Heckart
15 family to make them keep their lawsuit confidential way
16 back in 1988?

17 A (Witness indicated in the affirmative.)

18 Q Amway's complaint in this case says they paid
19 \$250,000.00, and this was back in 1988 when that was
20 actually going on.

21 MR. KUGELE: I'm going to object because I don't
22 think that there's -- I'm going to object. That's a
23 mischaracterization.

24 BY MR. SHAFFER:

25 Q Okay. Amway's complaint -- your objection's

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1 effectively silenced. So the public has less of a chance
2 now of ever knowing about the multi-decade long fraud that
3 happens to Amway distributors. There's a less chance of it
4 ever happening now than before because of the crafting of
5 this. It was very well done.

6 MR. SHAFFER: I'm sure. All right. Thanks very
7 much. That's all the questions I have, and I really
8 appreciate your time.

9 MR. KUGELE: Hold on one second. Just a couple
10 of questions here.

11 REDIRECT EXAMINATION

12 BY MR. KUGELE:

13 Q Are you aware of -- that other companies also
14 often have arbitration agreements in contracts that they
15 enter into with other parties?

16 A Yes, but this is the first one I was ever forced
17 to sign.

18 Q Okay. Well, a company that does business and
19 enters into contracts is entitled to do business on the
20 terms that it wants to do business with. Right?

21 A Not if it represents decade long global fraud,
22 no.

23 Q And that's your own allegation of fraud.

24 A Correct.

25 Q I mean, you don't have -- you don't have a

1 noted. Amway's complaint in the case admits that Amway
2 paid the Heckarts \$250,000.00 to keep the Heckarts from
3 going to trial against Amway in a public courtroom. Do you
4 believe that to be an admission of fraud on Amway's part?

5 A I -- I believe Amway would do anything to keep
6 from the public view what it's done for the last 30 years,
7 and continues to do as we speak today. Yes. The --
8 Amway's achilles heel is bad publicity. And there was a 60
9 Minutes piece that result in hundred of million dollar
10 downfall of Amway sales because the public became aware of
11 things that were not very complementary of Amway.

12 So at this point I believe there's a specific
13 campaign in place to silence any distributor that discovers
14 that we discovered and has the fortitude to go public with
15 it. But, yes, would they write a quarter million dollar
16 check? Every day of the week to keep the fraud out of the
17 public. Yes.

18 Q Thank you.

19 A In my opinion.

20 MR. SHAFFER: Thanks.

21 REDIRECT EXAMINATION

22 BY MR. KUGELE:

23 Q Okay, a couple of follow-up questions. You're
24 not aware of any FTC action against Amway regarding the BSM
25 business?

1 A I know they've been petitioned -- the chairman of
2 the Federal Trade Commission has been petitioned by Bruce
3 Craig, who prosecuted Amway for fraud in the State of
4 Wisconsin. He's the Assistant Attorney General, and
5 he's -- the FTC has been petitioned by Bruce Craig to
6 reopen the case of fraud and pyramiding against Amway.

7 Q Okay.

8 A That's before them right now.

9 Q Okay.

10 A That -- a decision has not been rendered on that.

11 Q Okay. And are you aware of what the FTC is doing
12 with that petition?

13 A No. No, I'm not.

14 Q Okay. But you're not aware of any action that
15 the FTC has taken against Amway regarding the BSMB
16 business?

17 A No

18 Q Okay. And you mentioned --

19 A I do know this, that there's large lawsuits now
20 that have been forced into silence as a result of BSM. The
21 \$200,000,000.00 lawsuit in Texas again will be buried in
22 silence by those brought by large number of high level
23 Amway distributors, again against Amway for the same
24 reasons, but the public will never know the outcome of that
25 because it's been buried in binding arbitration and again

1 COUNTY OF NORTHUMBERLAND :
2 COMMONWEALTH OF PENNSYLVANIA:

3

4 I, Ervin S. Blank, the undersigned Notary Public,
5 do hereby certify that personally appeared before me, ERIC
6 SCHEIBELER; the witness, being by me first duly sworn to
7 testify the truth, the whole truth and nothing but the
8 truth, in answer to the oral questions propounded to him by
9 the attorneys for the respective parties, testified as set
10 forth in the foregoing deposition.

11 I further certify that before the taking of said
12 deposition, the above witness was duly sworn, that the
13 questions and answers were taken down stenographically by
14 the said Ervin S. Blank, Court Reporter, Milton,
15 Pennsylvania, approved and agreed to, and afterwards
16 reduced to typewriting under the direction of the said
17 Reporter.

18 In testimony whereof, I have hereunto subscribed
19 my hand this 24th day of July, 2001.

20
21
22
23
24

Ervin S. Blank, RMR
Reporter-Notary Public
My Commission Expires
January 28, 2005

1 silence.

2 MR. KUGELE: Okay. All right. I have no further
3 questions.

4 MR. SHAFFER: Thanks again for your time, Mr.
5 Scheibeler.

6 MR. KUGELE: Yes. Thank you very much.

7 (Whereupon, the deposition was concluded at 12:20
8 p.m.)