



School of Business
William W. Keep, Dean

August 25, 2014

Mr. Warren Buffet
BERKSHIRE HATHAWAY INC.
3555 Farnam Street, Suite 1440
Omaha, NE 68131

Dear Mr. Buffett:

Raised in a family of modest means and eventually becoming a business professor and dean, I strongly appreciate the desire and effort it takes to change one's future. For that reason, I agreed to help when the Department of Justice sought to close a pyramid scheme posing as a legal multilevel marketing (MLM) company. That was nineteen years ago, and I am now writing for your help.

My work as an expert witness and researcher—writing with Dr. Peter Vander Nat of the Federal Trade Commission (FTC)—has been recognized internationally by courts, regulatory agencies, investors, academics, non-profits, and individuals concerned with protecting consumers and investors. Recently I helped a non-profit organization develop a multilingual mechanism to better understand how low-income people seeking micro-loans view the MLM opportunity and risk falling victim to a pyramid scheme. Much of my work is pro-bono.

I write to you out of respect. I have used your business decisions as classroom examples (e.g., the acquisition of Shaw Industries), and admire the candor and concern you express as a business leader and social voice. When I worry about the overall quality of business leadership, your reputation for astute business decisions and a long-term social view brings some solace.

Given Berkshire Hathaway's ownership of Pampered Chef, the ongoing controversy over Herbalife has not likely escaped your attention. In a piece published by CNBC, I noted that an MLM does not have to be a pyramid scheme. Still, as a country, we have a problem. Statements by industry representatives and regulatory agencies range from unclear and ill-defined to self-contradictory. Meanwhile, pyramid schemes continue to victimize hundreds of thousands of people in the United States each year.

According to the Direct Selling Association (DSA), the number of direct selling salespeople in the U.S. equals approximately 8.5% of the adult population ages 20-64. The DSA president has said: "...there are a lot of pyramid schemes that like to

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disguise themselves as legitimate direct-selling companies. That creates an environment where there can be confusion" and "...everybody has their own definition of multi-level marketing." Of course everyone having his/her "own definition" eases the task of disguising a pyramid scheme. Similarly, the FTC points to a string of successful pyramid scheme prosecutions as a means of signaling consumers (e.g., the recent BurnLounge decision) and yet also insists "Identifying a pyramid scheme masquerading as an MLM requires a fact-intensive inquiry."

In summary, we have a "business model" affecting a fair percentage of the U.S. adult population that can actually be a fraud that structurally guarantees losses for the vast majority of participants. The fraud transfers small amounts of wealth from large numbers of participants to the benefit of a miniscule percentage. The lead trade association resists any effort to more clearly define the business model or increase transparency (e.g., the successful fight to exempt MLMs from the FTC's Business Opportunity Rule), and the lead regulator admits that distinguishing a pyramid scheme from a legal MLM can be difficult. Meanwhile these schemes continue to victimize people looking for a path forward to change their futures.

Bill Ackman's accusations against Herbalife have garnered intense media attention. The politics of the issue have become palpable, not just within the industry but also among regulators. I have contributed to this discussion with the intent of both making pyramid schemes more readily apparent to those most likely to be victimized and removing the decades-old environment within which this pernicious form of business fraud has thrived. I have received no compensation from any party associated with the Herbalife controversy and have no financial stake in the outcome. Though Mr. Ackman referenced my work as an expert (e.g., Gold Unlimited) and my research with Dr. Vander Nat, I am not a member of his team.

What am I asking of you? I ask that you consider, as an owner of an MLM company, the value of having clear and public standards that differentiate a legal MLM from a pyramid scheme. As part of this consideration, I ask that you reflect on why people choose to participate in an MLM and the harm done by allowing them to become unsuspecting pyramid scheme victims. Should you conclude that such standards are important to protect consumers and investors, I ask that you publicly address the issue.

I am happy to answer any questions that your or your staff might have and truly appreciate your willingness to consider my request.

With regards and respect,

A handwritten signature in black ink that reads "William W. Keep". The signature is written in a cursive, flowing style.

William W. Keep