FRIENDS OF THE MIDDLE
NEWSLETTER #279 — NOV. 28, 2012

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A Shady Tale from Sunny Florida

(posted by Steven W. Baker / SteveB, Nov. 28, 2012)

The nasty problem of how America's electoral system works is that it doesn't work well, it doesn't stand up to the scrutiny of accountability with which we challenge, say, teachers, and it doesn't work fairly and simply across the board. In the land of the free, why can't we do something about this? (Hey, of course, we can't. There is a blocking force at work known as the G.Old.P.!)

"Jim Greer, Ex-Florida GOP Chair, Claims Republican Voting Laws Focused on Suppression, Racism" by Ian Gray, Huffington Post

Nov. 26, 2012, (http://www.huffingtonpost.com/2012/11/26/jim-greer-florida-voting-laws_n_2192802.html)

Jim Greer, the former head of the Florida Republican Party, recently claimed that a law shortening the early voting period in the state was deliberately designed to suppress voting among groups that tend to support Democratic candidates, the *Palm Beach Post* reports.

"The Republican Party, the strategists, the consultants, they firmly believe that early voting is bad for Republican Party candidates," Greer told the *Post*. "It's done for one reason and one reason only...'We've got to cut down on early voting because early voting is not good for us."'

The HB 1355 law, which was passed by Florida's Republican legislature and signed by Gov. Rick Scott (R) in Nov. 2011, cut the number of early voting days from 14 to eight. It was publicly sold as an effort to reduce voter fraud and to save money, but Greer says that this was simply a "marketing ploy."

Greer served as Florida's GOP chairman from 2006 until 2010 when he was forced to resign after allegedly stealing money from the party. He was arrested and his case is pending.

Scott's predecessor, Republican-turned-Independent Charlie Crist, resisted efforts from Republicans to shorten the state's early voting period, citing reasons that mesh with Greer's claims.

In an interview with The Huffington Post earlier this month, Crist said the new law is clearly aimed at curbing turnout among Democrats.

"The only thing that makes any sense as to why this is happening and being done is voter suppression," he said.

Crist added, "People have fought and died for our right to vote, and unfortunately our legislature and this governor have decided they want to make early voting less available to Floridians rather than more available ... It's hard for me as an American to comprehend why you don't make democracy as easy as possible to exercise for the people of our state. It's frankly unconscionable."

Greer also acknowledged that the effort to restrict early voting would directly affect turnout among Florida's African Americans, a demographic that consistently supports Democrats.

"The sad thing about that is yes, there is prejudice and racism in the party but the real prevailing thought is that they don't think minorities will ever vote Republican," he told the *Post*.

Greer went on to suggest that there was "absolutely nothing" state Republicans wouldn't do in following their "absolute obsession with retaining power."

Parts of HB 1355 were overturned by a panel of federal judges in August, partially due to its anticipated impact on minority turnout. The three judge panel ruled that a "dramatic reduction in the form of voting that is disproportionately used by African-Americans would make it materially more difficult for some minority voters to cast a ballot than under the benchmark law."

The court's ruling, however, only affected five of Florida's 67 counties -- those covered by the section of the Voting Rights Act cited by the court in its ruling. The vast majority of Florida voters were subject to the shortened voting period.

Despite lines as long as nine hours on Election Day in Florida, Scott said he stands by the new law. "Well I'm very comfortable that the right thing happened," he told WKMG Orlando after the election. He later promised to order a review of electoral issues.

FotM NEWSLETTER #279 (Nov. 28, 2012)—HYPERTEXT INDEX

20121127-01	07:12	SteveB	"The Infernal Machine: From Powder to Dust"

"The Infernal Machine: From Powder to Dust" by Roddy Boyd, The Southern Investigative Reporting Foundation

Nov. 19, 2012, (http://www.sirf-online.org/2012/11/the-infernal-machine-from-powder-to-dust/)

(To understand why a company called ViSalus is the fastest-growing company of its size in the United States, just watch cofounder Nick Sarnicola in action at one of the company's periodic sales conferences:

Video: http://www.youtube.com/watch?v=wMcNkNvgfyo.

In the video that ViSalus posted on YouTube of a July conference in Miami, Sarnicola's turbocharged pitch inside a packed 18,000-seat arena has people on their feet, pumping fists, clapping, waving, even dancing. A politician or entertainer can only dream of an audience response like this.

People don't usually pay good money to travel to Miami in sweltering summer heat and then readily wedge themselves into a packed arena to see someone strut around and talk on a hastily assembled theatrical stage — about a company whose major product is powder for a weight-loss shake.

Sarnicola is an unlikely standard-bearer. He has no real college training in health care or any related field; briefly he was a salesman for a collapsed telecom company. Though he is the author of an evangelistic tome about becoming rich by age 25, he was evicted just a few years shy of that for not paying his apartment's rent.

To this audience, however, Sarnicola is a superstar. No one sells more products for ViSalus; the sales group he and his wife founded is responsible for 75% of its revenue.

Rich, good-looking and with an attractive spouse, Sarnicola is proof to the throng that through ceaseless effort and unyielding commitment, they too can live a glamorous lifestyle like he does.

Called a "global ambassador," a sales rank only he and his wife hold, Sarnicola did not deliver his Miami speech to impart hard-won sales tips. He was giving a sermon designed to morally validate a congregation where salvation is found through selling ViSalus' weight-loss and nutrition products to networks of their friends, relatives, neighbors and colleagues.

ViSalus is a multilevel marketing company that promises ordinary folks a shot at financial success based solely on their skill at building a sales group that essentially draws on personal social circles: A distributor must recruit customers (usually starting with friends, neighbors, relatives) who are asked to enroll still others as customers, who are then encouraged to bring in more new members to the sales group.

The Miami sales conference was designed to reinforce the secular theology of economic independence and self-help advocated by ViSalus — and other multilevel marketing enterprises. For 60 years, such companies have used their sales gatherings to dangle the prospect of a path away from corporate drudgery or limited means.

During Sarnicola's dramatic closing speech in Miami, where surrounded by fellow ViSalus cofounders Blake Mallen and Ryan Blair, he embarked on a riff reminiscent of a thousand 12-step meetings and evangelical pulpits: He confessed his imperfection and weaknesses, pledging an authentic and single-minded focus to help them in the hunt for health and prosperity.

Every multilevel marketing firm, including industry leaders like Nu Skin, Herbalife and Amway, relies on a variation of this appeal. Most multilevel marketing presentations contain so much language about independence that they could be backdrops for a small town's Fourth of July celebration. But ViSalus has a different, thoroughly modern approach.

ViSalus wants its freelance distributors to party like rock stars and look like models. While Amway appeals to the Norman Rockwell-like sensibilities of faith, country and community, ViSalus is in your face, bringing in wrestlers like Hulk Hogan and rappers such as Master P and Lil Romeo to pitch its products.

So not only does Sarnicola's somewhat erratic personal background fail to detract from his appeal with members of his adoring audience; it's proof that their own imperfections can be forgiven. If they buy into the philosophy and sell like mad, they, too, can live in a Miami beachfront penthouse like Sarnicola, fly in a corporate jet like Mallen or build a home in the Hollywood Hills like Blair. ViSalus, in other words, is a corporate version of the French Foreign Legion, where one's past is forgotten as long as the present is dedicated to the cause.

What the thousands of applauding people in that Miami arena and the other halls and hotel ballrooms ViSalus fills for its confabs are dedicating themselves to, however, has every indication of being a classic pyramid scheme.

Sarnicola, Mallen and Blair are making out like bandits, living precisely the type of life they claim can be had through a total commitment to ViSalus. Yet its corporate filings tell a very different story: Despite plenty of hard work and expense — which often end up being much more than the company lets on — ViSalus' army of believers are probably in for a big letdown.

Those flocking to the arenas and ballrooms are likely to be fleeced as ViSalus' management team and corporate owners reap the rewards of a remarkably effective promotional and marketing effort fronted by Sarnicola. (And while most multilevel marketing executives run from any mention of the word pyramid, ViSalus embraces it. Indeed

Sarnicola, his wife and a few others recently even created their own online reality show about ViSalus sales, which they brazenly titled "That Pyramid Thing.")

There's nothing new about the risks of losing gobs of money and time in a pyramid scheme: Voluminous research has documented the astronomical failure and dropout rates of participants in dozens of multilevel marketing companies. Seen in a cold light, ViSalus is just another fast-growing player in a field that has seen dozens rapidly emerge, only to fade quickly.

What makes ViSalus stand out is its highly unusual relationship with its corporate parent, Blyth, a publicly traded marketing and catalog company based in Greenwich, Conn. Blyth owns most of ViSalus and has come to depend on the subsidiary's rapid growth to sustain it.

And that's a very big risk for Blyth's investors. Because as ViSalus' fortunes fall to Earth, Blyth will undoubtedly fall much further and much faster.

ViSalus Mixes It Up

In the pantheon of Michigan companies, ViSalus doesn't quite command the level of brand awareness that Ford, General Motors or even Domino's Pizza enjoy, but those companies would surely love to have a fraction of the growth rate registered by ViSalus. In a recent filing, sales figures for ViSalus' main product, a powdered meal-replacement shake that is part of a 90-day weight loss and marketing initiative it calls Body by Vi, suggest annual growth so massive that Americans appear to be skipping meals with ViSalus shakes in the same numbers that they download music through iTunes.

For the first half of this year, ViSalus' weight-management unit logged a 482% rate of growth, compared with the first half of last year. It wasn't just that one unit either that had spectacular results; the entire company's sales mushroomed 451% over the same period.

ViSalus took in $327.3 million in sales this year through June 30, with about $222 million of that derived from its weight-management unit. As any analyst knows, it's vastly more difficult to realize a spike in growth rate of that magnitude when the sales numbers are in that range.

The sales figures seem to indicate that the ViSalus shake mix isn't just a popular product but that a paradigm shift in American behavior is under way.

The Southern Investigative Reporting Foundation tried to find any company with a remotely comparable growth rate. We searched publicly traded companies also headquartered in the United States and with at least $1 million in annual revenue and a compound yearly growth rate of 300%. (The search excluded companies in the pharmaceutical, biotech and energy exploration and development sectors whose fortunes hinge on external factors like regulatory approvals and geopolitics.)

The result: Among companies of its size, ViSalus stands alone in a category of one.

Plus, ViSalus is posting astronomical growth rates while operating as a multilevel marketing business. This is a hard road to travel: ViSalus competes against the established products and sales networks of multilevel marketing giants like Herbalife as well as the well-located niche retail stores like GNC's and universally distributed brands like Slim-Fast with deep-pocketed corporate parents.

Having tons of established competition usually prompts a bitter price war in which only the fittest — and most ruthless — survive, not the shattering of sales records.

But that's ViSalus in a nutshell: It seems to defy the laws of marketplace math.

At least that's what its company executives want outsiders believe.

But some cracks in the carefully constructed veneer are already starting to show. An IPO for ViSalus announced in August was pulled in September because, as Blyth's chief executive said in a conference call, ViSalus' growth wasn't being "properly valued."

What a corporate statement like that probably means is that ViSalus' bankers at Jefferies told Blyth no one was willing to pay the price being asked for the stock. (ViSalus CEO Ryan Blair hosted a chat on Facebook on Sept. 26 during which he claimed that it was his idea to cancel the IPO, Blyth management deserved credit for listening to him and that he was overjoyed. Blyth, in other words, spent $4.7 million in fees prepping an IPO of a subsidiary even though its CEO was dead set against it.)

When audited 450% growth rates can't attract a proper bid from the same investor universe that happily gobbled up shares from Merrill Lynch, Fannie Mae and AIG in 2008, something has to be amiss.

A good place to start looking for the real reason the IPO was grounded is the prospectus filed by ViSalus' holding company, FVA Ventures. In the columns of numbers and buried in the footnotes, a pattern emerges: Neither management skill nor the soundness of its products has anything to do with ViSalus' record-breaking growth.

Blyth's Makes 'Folksy' Pay

The key to understanding what makes ViSalus tick is to know just how different it is from its corporate parent — and onetime rescuer — Blyth.

Founded in 1977 and cobbled together from half a dozen different candle, potpourri and gourmet food companies, Blyth has made money by dispensing with conventional wisdom. As much of the consumer business world has leaped onto various digital sales platforms, Blyth's main business unit has persisted with its relatively folksy, old-fashioned method of enlisting sales consultants to host house parties where they sell candles and home fragrances to friends and acquaintances.

Don't let the low-tech approach fool you, though; Blyth's tactics have been every bit as effective as the slickest Madison Avenue marketing campaign. Research shows that in a slow economy consumers will hold off on a new car or fancier wardrobe, but when a neighbor five doors down whose daughter is on the same soccer team as yours invites your wife to a "product party," there is a statistically excellent chance the checkbook will open for a few holiday-themed candles or gourmet jellies.

In recent years, many American businesses have undergone transformation in ways big and small, but Blyth didn't seem to need to. As Amazon's Kindle scotched interest in bookstores and Apple's iPod killed stereo companies, people still continued to fork over $25 and $35 at a steady clip to have Blyth candles for the living room and den and potpourri for the downstairs bathroom.

Largely disengaged from the typical Wall Street promotional hype, Blyth takes its nondescript low-key approach to extremes, eschewing public relations and operating out of a modest office building in Greenwich, Conn. The company's treasurer doubles as the investor relations representative. Even so, Blyth's stock spent years above the $50 mark and Robert Goergen Sr., the former investment banker who founded Blyth, became seriously rich along the way. There have been richer and flashier CEOs, to be sure, but for investors who respected results, Goergen made betting against Blyth a dicey proposition.

That is, until 2008, when Blyth's world came crashing down. The staggering decline in household discretionary spending, Blyth's microeconomic lifeblood, was a knife directly aimed at its heart.

According to Blyth's 10-K annual report, from 2010 to 2011, U.S. sales at its direct-selling PartyLite unit — traditionally the core of Blyth's revenue — declined 22% and the number of independent consultants hawking products to the public fell 11%. Over the same span a year prior, sales at PartyLite's U.S. operations plummeted 25% and the number of consultants dropped 17%.

There's a grim playbook for management at publicly traded companies facing full-bore decline: radical cost-cutting, immediate asset sales and eventually a sale to a stronger competitor or bankruptcy.

Yet Blyth had an ace up its sleeve.

In August 2008, in a little-noticed move, Blyth bought a 43.6% stake in ViSalus, for $13 million. (Blyth later increased its ownership to 72.7%.) Perhaps Blyth's thinking behind the investment resembled that of the veteran horseplayer who ignores the handicapper's advice and on a hunch lays down $100 on the leggy long shot in the fourth race. The move paid off handsomely, and it seemed that for a while, ViSalus might have been one of the greatest investments in recent corporate history.

The year it inked the purchase agreement, Blyth recorded $1.16 billion in sales. Last year, factoring in ViSalus' $230.1 million in sales, Blyth managed to post just $888.3 million in revenue. Without ViSalus, more than 50% of Blyth's revenue since 2008 would have been gone, and to be frank, companies losing half their sales in less than five years usually exist only in the memories of the people who used to work there.

But unlike in horse racing, where the bet either pays or it doesn't, the ViSalus acquisition was not a zero-sum game: Blyth got to live to fight another day, but it also committed to buy the final chunk of the company by the end of this year at a price that, because of ViSalus' incredible growth, eventually became extraordinarily steep.

By this past summer, coughing up the sum of $271 million for ViSalus by the holidays seemed impossible for Blyth. (The final price Blyth pays could be $30 million higher, based on something ViSalus called the "Equity Incentive Plan," allowing its distributors to get a cut of the purchase price.)

An IPO was an elegant solution for the company, allowing Blyth to sell a majority share of ViSalus, while retaining a minority stake and keeping control through the board of directors. Nonetheless, Blyth pulled the offering on Sept. 26, offering only a terse "market conditions" as the reason.

At Blyth, sporadic asset sales had taken place over the past four or so years but sinking home decor brands are not fetching many bids these days. Writing a check was out of the equation; Blyth had about $167 million in cash apart from ViSalus and once Moody's Investors Service became aware of the company's dire financial straits, it acted swiftly on Sept. 20 to change its outlook on the company to negative, closing the door on Blyth's ability to borrow money below loan shark rates.

On Oct. 1, in a press release light on details, Blyth announced that its purchase of the final share of ViSalus would take place in April 2014 and that ViSalus' founders agreed to have new employment contracts drawn up.

Blyth effectively took a cue from the U.S. government and pushed forward the day of fiscal reckoning 18 months. Management perhaps hopes that the shelved IPO can be relaunched when investors have forgotten what's in the prospectus. The reality is that Blyth's leadership bought a little more than a year and a half to devise Plan B. Regardless, even if consumer spending swells, it is difficult to imagine Blyth's being able to generate enough cash to buy the remaining ViSalus stake.

A Merger of Opposites

The relationship between ViSalus and Blyth has its roots in a routine wireless Internet installation job in 2002 at a ranch in Santa Barbara, Calif. Over the course of the installation, the property owner, private equity veteran Frederick Warren, struck up a conversation with Ryan Blair, the chief of the company doing the job, SkyPipeline.

Outside of that chance meeting, a conversation between the two was perhaps unlikely. Warren is a well-established executive in the private equity and venture capital worlds, deeply involved with his alma mater, the University of Pennsylvania. In contrast, Blair had been a violent gang member in Los Angeles who had spent time in jail until his stepfather led him out of that life and interested him in business, as Blair explains at length in his book, *Nothing to Lose, Everything to Gain*.

Blair's wireless Internet service provider was a young company in search of cash, according to his book, and Warren, presumably always on the hunt for a new opportunity, was looking to better understand the possibilities in the wireless market.

Warren ultimately became convinced that Blair's company had potential. He happened to be an outside adviser to Ropart Asset Management, a private equity fund owned and run by Robert Goergen Sr., the founder of Blyth. Warren suggested that Ropart invest in SkyPipeline and Ropart took the advice. In 2004 when NextWeb bought SkyPipeline for $25 million, both Blair and Ropart made out nicely.

The SkyPipeline sale gave Blair his first real money. At the time, Blair didn't make such great decisions, as his book describes; he spent his windfall on a sports car and plenty of fun with girlfriends who had expensive tastes. Indeed one thing Blair omitted from the book designed to be a "warts and all" account of his entrepreneurial life, including peeks at his playboy lifestyle, is his declaration of a Chapter 7 bankruptcy in October 2005. His bankruptcy filing listed $125,000 in credit card debt and just $500 in assets; he was living in a Marina del Rey, Calif., condo leased by his stepfather. (ViSalus' IPO prospectus does mention the bankruptcy.)

Still, in 2005 after Blair did a leveraged buyout to buy a company called ViSalus Science (later ViSalus) and needed some cash, he found a ready ear at Ropart. Blair retained the previous sales chief, Nick Sarnicola, and chief marketing officer, Blake Mallen, and in six months ViSalus' sales grew 200%, according to Blair's book. Traveling to Ropart's Greenwich, Conn., offices, Blair met with Robert Goergen Sr. and his son Todd, the managing partner.

The pitch worked. Robert Goergen Sr. personally gave the go-ahead to invest $1.5 million in the ViSalus venture.

But there was a hook: Blair was prohibited from disclosing the role of the Goergen family or Blyth in the investment.

The anecdote suggests a recurring theme: the Ropart fund-Blyth Inc.-Goergen family nexus. Though Ropart and Blyth are two legally distinct entities, in practice they and the Goergen family form separate sides of one triangle, a mix of investments and personnel so fluid one needs a scorecard to track whose interests come first.

Then again, it was probably designed that way.

Consider this: Robert Goergen Sr., a former Donaldson, Lufkin & Jenrette banker and McKinsey partner, founded Blyth in 1976, serves as its chairman and CEO, and personally owns 30% of its shares. He also founded Ropart Asset Management, which his family completely owns. His son Todd, the managing partner of Ropart, is Blyth's former head of mergers and acquisitions. Ropart Asset Management's offices are inside Blyth's headquarters. Todd's brother Robert Jr. is the head of Blyth's PartyLite unit and an outside adviser to Ropart. For good measure, their mother, Pamela Goergen, is a long-serving Blyth board member.

Ropart Asset Management owns more than 576,000 shares of Blyth, part of the 3.4 million shares controlled by the Goergen family.

The Goergens are hardly the only family to practice corner office nepotism and everything listed above has been disclosed in one filing or another. The conflicts of interest involved in the Goergens' running ViSalus as an ATM for themselves are another matter.

When Blyth struck a deal in August 2008 to buy ViSalus in stages, the Goergen family used shareholder capital to buy out Ropart's private investment in the firm at what Blair's book indicates was 10 times forward earnings. So far the Ropart Asset Management Funds (and thus the Goergen family) have netted $15 million from the ongoing buyout. It is fair to wonder what — if any — incentives existed for Blyth to aggressively negotiate the sale price lower when Goergen family members were the sole beneficiaries.

Soon after the August 2008 deal, Goergen family members started landing board or executive roles at ViSalus, with Todd serving as chief strategy officer. It's not unheard of for private equity executives to temporarily assume management roles in companies they invest in, but usually this is for the short term. They claim to be experts in managing assets, after all, not operations.

Todd Goergen's situation illustrates just how lucrative wearing two hats can be. Todd has kept his Ropart job, while collecting a $500,000 annual salary as ViSalus' chief strategy officer; he is eligible for a performance bonus of as

much as $1 million. If an IPO is completed, Todd will receive 2.05% of the company's shares in options and restricted stock.

The blurring of the lines between the Goergens' personal investments and professional obligations seems to be by deliberate design, not accident, and part of their strategy for ViSalus. Ropart owns 4% of ViSalus and its funds charge ViSalus $8,500 a month for management services. The incentive for the Goergen family to complete an IPO is obvious: Based on Blyth's $1 billion valuation of ViSalus, the shares held by Ropart should be worth at least $40 million, with Todd holding another $20 million stake. Whether the IPO happens is, of course, up to the market. In the meantime, family members are being paid while they wait; other Blyth shareholders are not.

Through Ropart, members of the Goergen family also own minority stakes in some of ViSalus' key vendors. As of June, ViSalus had paid FragMob LLC $1.7 million in fees this year for services, including development of an app for mobile phones, as well as some credit card swipers, and $800,000 to iCentris, a maker of direct-selling software. Todd Goergen is a member of FragMob's board and ViSalus' founders own stakes in both these companies.

Credit the Goergens for their patience, though. When ViSalus stumbled some in 2009 and Blyth was forced to write down many of the assets in its investment to zero, it did not exercise its right to walk away from the deal. Only beginning in 2010 did ViSalus begin the growth that would prove such a double-edged sword.

Then again, the Goergens have direct experience with the darker side of network marketing companies. In 2006, shortly after putting cash into ViSalus, Ropart also took a stake in iMergent, a Utah-based software company cofounded by legendary stock promoter Shelly Singhal. (In 2010 Singhal was indicted for his role in a securities fraud; the charges were reduced to mail fraud last summer.)

From the minute Ropart made its investment, iMergent's management was embroiled in a pitched battle with short sellers who derided iMergent's software as worthless and its business model as that of a poorly disguised multilevel marketing company.

In keeping with the Blyth-Ropart-Goergen family tradition of interlocking ownership, Neal Goldman, a Blyth board member since 1991, was the largest holder of iMergent stock and its most vocal defender. He accused the short sellers of illegal tactics and fraudulent claims. Eventually the company sued short seller Andrew Left (a court tossed out the suit two years later with iMergent paying his legal fees).

Goldman probably should have kept his mouth shut. After numerous state attorneys general sued iMergent for making misleading claims, its CEO unceremoniously left the organization in 2008 when the board found he had violated disclosure rules. Then Todd Goergen took over the reins. The company moved its headquarters to Arizona, entered the Internet services business and changed its name to Crexendo. After the company's stock price peaked at $29 a share in early 2007, the shares now trade at just a tad over $2.

Shake Economic$

What the Goergens and Blyth are involved in with ViSalus is as conceptually different from Blyth's neighborhood candle and potpourri parties as Pat Boone is from Motley Crüe.

The type of selling done for Blyth's PartyLite unit is what a management expert might call "high touch," since the emphasis is on social gatherings of friends and neighbors who personally view and sample the products. While the process is fruitful over the long haul, it can be time-consuming and imprecise. Someone attending an initial sales party might buy a single product and wait months or a year before really opening her wallet. Over time, though, that customer might host a sales party and bring in 20 new customers, a few of whom might organize additional parties.

The entry point for the ViSalus consumer experience is the Body by Vi challenge, a 90-day period during which a person picks a weight-loss goal and tries to achieve it using the Vi-Shape shake mix and supplements. Distributors — or "promoters" as they are called — are supposed to stage "challenge parties" to market the product.

ViSalus' fast sales growth might seem to indicate that its products work. The truth isn't so cut and dry.

The company claims to have engineered "millions of pounds lost" and prominently features online pictures of customers made sexier and slimmer from consuming its shakes.

But to evaluate the products' true effectiveness, the Southern Investigative Reporting Foundation asked two independent experts to examine ViSalus' 90-day challenge and the ingredients of the Vi-Shape shake mix: Dr. Melina Jampolis, a nutrition specialist and author of *The Calendar Diet*, and dietician Keri Gans, author of *The Small Change Diet: 10 Steps to a Thinner, Healthier You*.

Gans was blunt. "Do they work? Absolutely [shakes] will help you lose weight over a 30-day period." But she added, "They will absolutely guarantee you gain it all back, if not more." Since ViSalus provides no instructions for how a person should modify his behavior and does not help introduce changes in how he relates to food (what to eat more of and what to consume less of), the old eating habits remain, Gans argued. Plus, the minute a person exits any shake plan, weight gain inevitably results, she said.

"When the weight comes back, it's really devastating," Gans said about shake diets in general and their users. "They simply give up and remain unhappy and unhealthy, or double down, with the same results. I've never seen shakes work for anyone wanting permanent weight change."

Dr. Jampolis was more circumspect. "My concerns are more nutritional and about the marketing than the program," she said. "Shakes are proven to be an effective first step as someone begins a permanent shift in approach to food. It's not clear to me, however, that enough emphasis is placed on nutrition after the shake program ends."

"The cost is much higher than it needs to be," Dr. Jampolis added. "You could very easily make a much lower-priced shake with ground chia fiber, for instance, and other higher-quality ingredients." (Diet products and vitamins are two staples of the multilevel marketing universe because they are inexpensive for a company to source and are often in high demand.)

The doctor is right that a Vi-Shape regimen is not cheap; 30 days' worth of product in ViSalus' Transformation Kit runs about $249. So figure that a three-month setup costs $750, not including shipping fees. (At least one enterprising ViSalus skeptic managed to put together a nutritionally similar shake for about two-thirds less per serving.)

The back-and-forth between shake opponents and supporters about the alleged nutritional value of ViSalus products is playing out on numerous websites. See the comments from readers here and here, as well as this video critique of ViSalus' marketing presentation. Nonetheless, ViSalus makes a seductive appeal to consumer psychology: It sells a quick fix to a thorny problem on an installment plan. Skeptics are left to play the role of Cassandra, citing the stern medicine of long-term behavioral and lifestyle changes.

ViSalus asserts numerous claims about the remarkable scientific basis of the products behind its sales success. The company has spared no effort to brand its products as the nutritional heir to the meal-replacement shakes around in one form or other since the 1970s. Until the company updated its website after the name change to ViSalus Inc. from ViSalus Sciences, it declared, "Comprehensive research and development (R&D) is critical to the success of ViSalus' products" and that it is "dedicated to bringing the best minds together with the best science to deliver cutting edge nutraceuticals."

That's a mighty tall order for a company whose scientific advisory board consists of just two people: Dr. Michael Seidman and Steven Witherly. ViSalus' product development expenses of $1 million were paid entirely to Dr. Seidman for product royalties and consulting fees. He earns another $180,000 a year for appearances at promoter conferences.

And ViSalus conferences extol massive enthusiasm for anything to do with science. Dr. Seidman is regularly given a rock star's welcome — replete with an entrance song — when he makes his jargon-dense presentations to ViSalus promoters about Vi-Pak, a vitamin and mineral supplement that he developed. Audience members, hanging on every word, eat it up. What they might not know, however, is, speaking skills aside, there is nothing very special about what Dr. Seidman does for ViSalus, according to the company's filings: "We believe that the products covered

by the [Seidman] license are replaceable in the event that the license is not renewed … and do not believe that … the non-renewal of the license would have a material impact on our results of operations and cash flows."

Dr. Seidman is an ear, nose and throat specialist with an extensive research background in hearing loss. He frequently mentions that he holds several patents in his appearances before ViSalus distributors, but only one of his patents is for vitamins; the rest pertain to hearing loss. Dr. Seidman owns the Body Language Vitamin Co., serves as a staff hearing and throat surgeon for the Henry Ford Health System in West Bloomfield, Mich., acts as a paid endorser of an herbal remedy for tinnitus and edits several academic journals dealing with hearing loss. ViSalus prominently features a White Papers tab on its website, to proudly display a series of Dr. Seidman's papers — mostly dealing with hearing loss.

Witherly is a nutritionist with a doctorate from Michigan State University. His career is more of a pure play at the intersection between nutraceuticals and direct sales; he has held research positions at Herbalife and a unit of Amway. He is now CEO of Technical Products Inc., a Valencia, Calif., consultancy that has advised companies whose formulations include supplements for erectile dysfunction and hangovers. Though Witherly generally has a lower profile within ViSalus, as a multilevel marketing veteran, he displays a level of enthusiasm and a hyped sales approach in his presentations in keeping with the concert-like aspect of promoter conferences.

That Pyramid Thing, for Real

In the 1980s the Federal Trade Commission laid out guidelines for multilevel marketers concerning acceptable business practices. At a minimum, they have to move away from "inventory loading" (obligating distributors to buy a certain amount of product each month) and have retail sales operations, through which distributors sell to a public customer base, not just to one another.

Yet as long as multilevel marketers have described their compensation structure in a way that addresses these issues, they have largely been left alone and can retain a pyramid structure. While trade and securities regulators have scrambled to bring about compliance — and have sent the occasional message — multilevel marketing companies have become legally sanctioned outposts within the American economy.

In its prospectus, ViSalus bluntly assured would-be investors that the company is not running a pyramid scheme, but an analysis of the details of its operation as explained on its website and in the prospectus suggests an entirely separate reality.

ViSalus directly addressed the pyramid structure issue in the prospectus as follows: "Our individual promoters are paid by commissions based on sales of our products and services to bona fide purchasers, and for this and other reasons we do not believe that we are subject to laws regulating pyramid schemes." ViSalus also pointed out that its distributors are not required to buy products monthly.

Written this way, ViSalus is in the clear. And, to be fair, consumer sales account for 66% of ViSalus' revenue, with distributors' purchases making up for the rest. Yet the company's prospectus shows that on average for the first six months of this year the typical customer spent $240 versus $1,286 by distributors. This seems odd if ViSalus is claiming its distributors are not required to buy products.

Most ViSalus' kits for promoters come with individual sample packets to give to prospective clients, so a promoter would have no reason to hold any inventory beyond a personal supply. Moreover, company filings say products are shipped directly to a customer. It's hard to conclude anything other than that promoters are buying product to improve their sales performance or to maintain their perks.

While ViSalus' promoters do not have to buy a fixed monthly allotment of products, they do spend money — often a lot. Corporate policy requires every promoter to buy at least a $49 "basic" membership, essentially providing a packet of marketing materials and three shake samples. Yet ViSalus' entire marketing and training program is geared toward directing promoters toward buying one of two options: a $499 Executive Success System package, with promotional materials, videos and free samples, or a $999 offering, basically two Executive Success System packages.

Without the Executive Success System package, according to ViSalus materials, promoters cannot participate in a weekly revenue sharing pool and the ViSalus Bimmer Club. (For those in the Bimmer Club, ViSalus pays $600 toward the lease of a ViSalus-branded black BMW, as long as the promoter's sales network brings in $12,500 a month in revenue; if sales fall under that figure, the lease becomes the promoter's obligation.)

In other words, good luck to distributors trying to get ahead at ViSalus without shelling out at least $499.

ViSalus further emphasizes in its prospectus its pyramid avoidance through its manner of sales compensation, stating unequivocally that ViSalus pays "individual promoters commissions based on product sales, not recruiting."

Narrowly cast, this is correct: A promoter can earn a commission for selling a single bag of shake mix to a customer. But a close read of ViSalus' compensation plan makes it very clear that life as a ViSalus promoter is built on recruiting additional promoters.

If a promoter sells to a consumer, he earns a commission of at least 10% that can rise to 25%, based on the order's dollar volume. To earn a respectable living, he would have to sign up customers multiple times a day, every day of the year, with few of them dropping out. Selling a $249 Transformation Kit, for example, brings in slightly less than $25 in commission.

But if a promoter immediately turns new buyers into promoters and builds a network right away, the income can potentially skyrocket. When a promoter adds three customers to her network, she receives a month's supply of product. If this is done within her first 30 days of joining the Body by Vi Challenge, she becomes eligible for a whole new tier of rewards called Rising Star: a share of the weekly enrollers' commission pool (2% of ViSalus' sales). But she must also enroll three other promoters during those first 30 days with a minimum of $2,000 in total product sales.

See how ViSalus tries to have its cake and eat it too? Its filings meet the letter of the law by allowing a participant to earn some money selling to a customer but the spirit of all its programs is clear: Bigger payoffs come from immediately turning a customer into a promoter who is part of an actively expanding network.

In a video posted to YouTube of another ViSalus national sales training seminar this past summer in Miami (http://www.youtube.com/watch?v=4Pv30FDmFiY&feature=youtu.be&t=5m45s), Sarnicola underscores the underlying goal to a room full of promoters who have achieved the vaunted status of director: "So I want you guys to make a distinction here between what the marketing message is and what the business model is. The marketing message is 'challenge, challenge, challenge.' But once you've got somebody in as a promoter, it's 'director, director, director.'" No elaboration here about nutrition or the process of weight loss.

Yet, being a ViSalus distributor is a risky proposition. Though the company does not disclose the dropout or "churn" rate for promoters, the Southern Investigative Reporting Foundation pieced together this rate from annual filings and the prospectus: 197.1% for last year. This year through June, on an annualized basis, the churn rate was 194.2%. (In contrast, Herbalife, whose churn rate has been a major headache for its company, has about a 51% turnover among its distributor ranks.)

Perhaps ViSalus' high churn rate can be explained by additional Southern Investigative Reporting Foundation analysis from data disclosed in the prospectus: This year through June, the typical distributor for ViSalus bought on average $1,286 in products but earned only $1,638 in commissions, netting $352.

Promoter churn becomes even more significant because it appears that ViSalus is able to count recently dropped-out promoters in its much touted customer total, which it claimed was as high as 1,058,000 in June. Read the fine print below to see how this is possible.

ViSalus defines a customer as "[a]nyone who has purchased products from us at least once in the previous 12 months, other than any purchaser who qualifies as an individual promoter on the measurement date." Under that definition, ViSalus could include its customer tally promoters who bought items within the past year but who are no longer active and so can't be considered "*individual* promoters." That's because ViSalus defines an "individual promoter" as a "person eligible to receive a commission within the ViSalus promoter compensation plan on the

measurement date." And to qualify for a commission, a promoter must have booked $125 or more in monthly automatically shipped sales.

So if one assumes the (very) conservative estimate of about 150,000 promoter dropouts in the past year, ViSalus' 1,058,000 customer figure — more than 1 out of every 300 U.S. residents — is greatly inflated by the inclusion of promoters who are no longer active.

Waning Health

Blyth's third quarter 10-Q document filed Nov. 7 shows it is a company in poor health, with every page of the filing indicating that the subsidiary is propping up the corporate parent.

Most important, Blyth's liquidity situation is becoming dire, according to this chart, whose figures were culled from the recent filing. With $85.4 million of 5.5% bonds due in November 2013 against $80.2 million in readily accessible cash, the company has reached panic button time. Fortunately for Blyth, it was able to sell its Sterno unit for $23.5 million last month to build its cash reserve back up to almost $103.8 million.

The sale of the Sterno unit is a good example of how ugly things have become for Blyth: As a profitable unit entering its busiest part of the year, Sterno is the type of division any healthy company would ordinarily hold onto.

Blyth's non-ViSalus businesses remain in free fall, with sales dropping 16% in the third quarter, to just under $99 million. PartyLite's revenue declined 21%, with the unit posting an operating loss of $10.7 million. (PartyLite's big season is the holidays, so the fourth quarter may show improved sales.)

ViSalus is Blyth's saving grace, bringing in $169.9 million in revenue for the quarter, a 132% increase from the same period the prior year. ViSalus earned $27.4 million for the first nine months of this year, allowing Blyth to turn a profit.

Which is why the Goergens should be feeling worse than ever.

ViSalus, the only thing standing between them and heartbreak, appears to be beginning to wind down its era of unprecedented growth. To be clear, ViSalus' posting a 132% sales increase in the third quarter over the same period last year is remarkable, but the company looks a lot closer to Earth than it did when posting 451% revenue growth. Unlike PartyLite, diet product companies tend to do their worst in the fourth quarter.

On Nov. 7, for the first time, Visalus announced that its number of promoters shrank from the second quarter to the third, from 114,000 to 110,000. A few days later, on Nov. 12, ViSalus posted a video on YouTube (http://www.youtube.com/watch?v=lwRSF7nyExE&feature=youtu.be), explaining how it is sharply increasing the cash rewards for promoters moving by March to the upper ranks of distributors. Increasing promoter commissions might help boost or stabilize sales, but it will definitely weigh on profits. And Blyth's management needs every penny of ViSalus' profit to make up for its own losses.

In another first, on Nov. 21, Blyth announced Visalus' inaugural dividend payout — some $22 million in total, with almost $16 million going to Blyth. Naturally, the Goergens shared in the good fortune, with their Ropart fund collecting $880,000 for its 4% stake. Like the Sterno sale, this is another clear sign of weakening financial health: If the goal is to ultimately consolidate ViSalus into Blyth, paying taxes on a dividend makes little sense unless the cash is desperately needed. And no manager would pull capital out of a business growing at 100% or more annually to reinvest it in a shrinking business unless it was to stave off a collapse.

It would be interesting to hear what Blyth's management, the Goergens and the crew at ViSalus have to say about all this, but they ignored all questions posed them by the Southern Investigative Reporting Foundation. For the record, more than a dozen attempts were made via email, phone, Twitter and overnight mail to get someone at Blyth, ViSalus or Ropart to answer questions about liquidity, promoter churn and whether ViSalus is a pyramid scheme. (We even sent emails to Blyth's outside legal counsel and its board of directors but received no reply.)

Blyth's stock price is now about $15. Perhaps once investors saw the prospectus and examined the figures, they began to run. For those doing their homework, it's easy to see why: epic churn, an unsustainable business model and a weak corporate parent that can't readily make good on a deal to finish buying ViSalus.

The trio of Ryan Blair, Nick Sarnicola and Blake Mallen are slick opportunists who have built the latest infernal multilevel marketing machine, promising everything to the desperate and gullible, if only they buy in.

It will undoubtedly end badly for most, if not all, who rely on peddling shake powder. For ViSalus' leaders sitting atop the pyramid in the Hollywood Hills and Miami, there's plenty of cash on hand for now — until they figure out how to make their next fortune.

What no one saw back in 2008 was that it would end so badly for Blyth. Then again, with multilevel marketing — as in life itself — very few ever see the end coming.

20121127-02	05:25	SteveB	Re: FotM Newsletter #277 (reply to Bill, FotM Newsletter #278)

Thanks, William! You home now? Working?

20121127-03	07:31	Bill	Re: FotM Newsletter #277 (reply to SteveB, above)

Yes, at home. Work? Well, work has been raking leaves the last couple of weeks. Hard labor to rake and bag. Chilly, clear weather makes it a pleasure to be outside, but I'm a tad sore. As to gainful labor, I have only one client now, and there hasn't been much activity lately—which doesn't bother me in the least.

How's the cookie biz?

20121127-15	18:59	SteveB	Re: FotM Newsletter #277 (reply to Bill, above) & Bolivia Bakery Biz

Glad to hear you're kicking back.

Ah, the fall chill in God's prime country…truly a pleasure…

Any business is interesting…at least any that I've ever been involved with. This one, to me, is particularly so.

First, I have two partners, Marci and her sister, Patti (actually, Patricia). Before I invested in this venture I did quite a bit of research, thinking, planning, and writing.

I knew, to make money, we had to do A and B in this way for this price. I even knew where all the furniture had to be, almost.

And we followed that plan the best we possibly could. If we had kept following it, though, I think we might already be out of business. And that's the thing about a business. It has to be alive. It has to know when and where it is failing and where it is succeeding. Sometimes these are things we don't even want to know, because of various ego things, and that leads some businesses to fail to, or at least some managers.

So things I grew very attached to had to fall away, at least for now, to be replaced by new growth. That's business.

For instance, my vision always relied on having a cadre of street vendors…probably, hopefully, independent businesspeople…giving out samples, distributing literature, selling cookies throughout the city. This has so far proven to be a problem. Though there are many street vendors in Santa Cruz, at the present moment, we don't have one, though it is not for a lack of trying. I'm at a distinct disadvantage here. In English, I think I can talk to just about anybody about anything and effectively either pick their brain or impart information to them if I want to do either. To hire or inspire someone takes a fluency in Spanish that I lack. It's hard for me to converse very deeply

in Spanish with people who don't know me. But I have a lot of confidence in my partners, so I think we will eventually lick the problem. For now, we have shifted gears.

Another issue was a very basic cookie one—the size of the cookies. After a lot of experimentation, market research, tasting, etc., we determined that 50 gram cookies for about a dollar would work well all around. To me, that was the most satisfying size, the size I wanted to eat and have just one, normally. We knew what we could make them for. We knew how to package them. They're about the size and price our few, weak competitors make.

But, stumbling around, we found that something different works better in the street and in the store—a 25 gram cookie that we sell for about two for a dollar. Who would have guessed?

This also gave us a cookie that we could more easily give away for free in our Grand Year's (or World's) End Oferta in combination with our new product that is one of the other big course adjustments we have made…salteñas!

The promotion was my idea. (I'm the marketing and facilities guy, Marci is mainly production and public relations, Patti is sales, Lucero takes care of the kitchen and cleaning up all our messes, and Teresa is available for back-up duty.) The salteñas were Marci's idea, one of very many strokes of genius she has contributed, making me very happy to work with her, even when she proves me wrong, haha. So, it being Bolivia, we were easily able to obtain the franchise on the best salteñas in all of South America—Potosinas, the ones that were already our favorites and that we were eating almost daily.

http://xn--salteaspotosinas-bub.com/

So now we are a panaderia and a salteñaria and we also have ice cream and all kinds of stuff to drink and lots of interesting people stopping by. We're looking at other ways besides vendors to get cookies all over the city. The salteñas are delivered to us frozen and, we are told, will keep about a week in our big (-10 F) freezer, though I suspect it's more like a month. But, anyway, we could also ship frozen cookie dough balls to places with ovens all over town, like the salteña company does with, well, salteñas. Our three specialties—cookies, salteñas, and coffee—all benefit from being extremely fresh! Or we might distribute cookies in jars to places all over town. Instead of packaging most of our cookies in plastic, we now keep them fresh longer and better in tightly sealed glass cookie jars that also make a nice display for customers.

As my Mom used to tell me, there's more than one way to skin a cat. I think a better saying might be that it's always good to be agile like a cat. Even if you are, you still might end-up getting skinned!

20121127-17	20:24	Bill	Re: FotM Newsletter #277 (reply to SteveB, above) & Bolivia Bakery Biz

Gotta be flexible. So good you have your partners to make the cultural connection. I had to use the URL to find out what saltenas are. I could come into your store now and have a whole meal: drink, main course, and dessert. Thanks for the narration on your business. I'll take some lessons from it. Too late, though, for Hostess, so there'll be a drought of nasty snack foods until the brands are sold to some other producer.

Best wishes for prosperity in Santa Cruz.

20121127-04	10:49	Art	Re: "About Americans for Tax Reform" (reply to SteveG, FotM Newsletter #278)

Hi, SteveG, I dunno but sounds about right. Of course, one of the big questions is who is paying for all this. A lot of money goes into Americans for Tax Reform but no disclosure as to it's source. The other thing is it ignores things like the deficit and exactly how you pay for things like wars. I want to say Republican wars but guess that is another issue. Equally it is totally one sided. Wants smaller government but doesn't want to address how you fund national projects like interstate highways, CDC, NASA and on and on.

20121127-06	12:04	SteveG	Re: "About Americans for Tax Reform" (reply to Art, above)

Throw in that most states are refusing to establish the health exchanges for the affordable health care act forcing the federal government to do it – another argument will start because of Obama wanting big government when the states refused to do their part.

20121127-07	12:09	Art	Re: "About Americans for Tax Reform" (reply to SteveG, above)

You can see it coming.

20121127-13	18:37	SteveG	"Grover Norquist's Budget Is Largely Financed by Just Two Billionaire-Backed Nonprofits"

Backed by billionaires...are you surprised?

"Grover Norquist's Budget Is Largely Financed by Just Two Billionaire-Backed Nonprofits" by Lee Fang, *The Nation*

Nov. 27, 2012, (http://www.thenation.com/blog/171475/grover-norquists-budget-largely-financed-just-two-billionaire-backed-nonprofits#)

Grover Norquist's iron grip over much of the Republican Party is somewhat puzzling. Why should Senators and other lawmakers listen to a guy caught laundering money for Jack Abramoff?

But consider Norquist's tax pledge and political power another way: that he's just a proxy for the powerful interest groups that finance him. In the nineties, it was big tobacco that used Norquist's tax pledge as a cover to lobby lawmakers against cigarette taxes (Norquist still uses an e-mail system donated to him by Altria to send out Tea Party action alerts against tobacco taxes). Now, big PhRMA and other industry groups provide grants to Norquist while his foundation endorses other giveaways, like protectionist support against importing cheaper drugs from Canada and the classification of tax subsidies to refineries as "tax cuts" that must not be cut.

I took a look at the last available budget numbers for Americans for Tax Reform, Norquist's group. Though they do not reveal their donors, we can cobble together much of Norquist's donors using foundations and other nonprofits that donate money to him.

The disclosures show that only two billionaire-backed groups have provided over 66 percent of Norquist's funding:

- The Center to Protect Patients Rights donated $4,189,000 to Americans for Tax Reform in 2010, 34 percent of the group's budget that year. The Center to Protect Patients Rights is the foundation used by the billionaire clique led by the Koch brothers to distribute grants to allied groups. In 2010, wealthy moguls like Steve Bechtel of Bechtel Corporation and Steve Schwarzman of the Blackstone Group met behind closed doors to help lend money to these types of efforts.

- Crossroads GPS donated $4,000,000 to Americans for Tax Reform in 2010, 32.46 percent of the group's budget that year. Crossroads GPS is the undisclosed group run by Karl Rove. The only known donors are folks like Paul Singer, the "vulture" hedge fund king who benefits enormously from tax strategies like the carried interest loophole. Norquist's pledge largely benefits billionaires like Singer and Schwarzman, who pay almost nothing in payroll taxes and likely pay a lower rate than their secretaries.

When Norquist promises consequences for the few GOP members willing to break with his pledge, what he's really saying is that his donor network will retaliate with attack ads and money for primary challenges.

So as our country descends into a position where now 1 percent of society owns more than one-third of the wealth, it should be no surprise that the guy preventing any equitable tax system is fully financed by the privileged few at the top.

20121127-14	18:42	Pam	Re: "Grover Norquist's Budget Is Largely Financed by Just Two Billionaire-Backed Nonprofits" (reply to SteveG, above)

Not a bit surprised. Disgusted, yes.

20121127-05	10:59	Pam	Re: "How Political Campaign Spending Brought Down the Roman Republic" (reply to Art, FotM Newsletter #278)

I liked the piece in FotM about Rome. It certainly seems to me as if history is repeating itself. If you went through the past and made a list of everything human beings have ever fought about, how many items would there be, I wonder? I'd bet it's a limited number of things: water, land, oil, pride, women, religion (!), political hegemony, economic advantage, various natural resources. Offhand I can't think of any other categories; even so, this is a pretty short list, so it stands to reason that over the centuries man has repeated himself over and over when it comes to reasons to fight. In that sense, history really does repeat itself. Sadly, one of the things that seems eternal is our inability to learn from it. I read an article about how Exxon-Mobil has essentially taken over the world. It's a very successful company, run by honest people who play by the rules and put safety first. That said, this most successful company, because of its success, is destroying the world. They know it, everyone knows it, but nothing changes--not enough to make a difference. Jimmy Carter called the oil shortage of the 'seventies "the equivalent of war." Our global environmental crisis is going to make that look like a sneeze. It's not just "evil triumphs when good men do nothing," it's "evil triumphs when good men do evil."

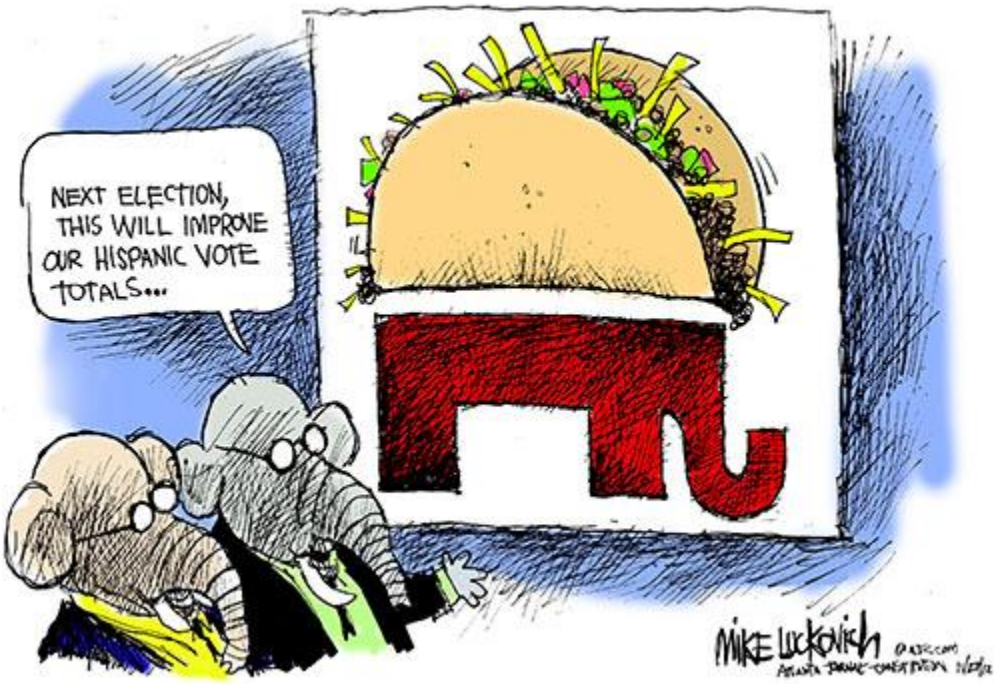
20121127-08	14:48	Ben	Photo: Today's Seafood Lunch at Apple

...sweet potato puree (creamy, smooth, delicious, sweet), a bulgur wheat salad (wonderfully toothsome, with the chewiness praised by Al the Dentist - that would be Al Fresco's associate), and roasted "Mohawk" actual baby carrots; these were actual fresh young carrots with a Mohawk 'do, not those scraps tossed into the auto-peeler. The cod was perfectly basted in brown butter, forming a thin pellicle with no breading, so the delicately flavored, robustly flaky cod had the thinnest skin, like a concentrated film of flavor. A fork, lightly used, pared off bite-size, cod-proportiontate flakes of translucent, perfect mild cod flesh. Little wonder that cod was the fish targeted by the Basques 'way back when in the first bursts of commercial fishing: it's still one of the best! Chef Kelli's lovely plate was graced with a smooth, delicious, honey-sweet, sweet potato puree, which was in turn garnished with roasted squash seeds that added little microburts of complementary flavors and texture. The bulgur wheat was slightly chewy, as it should be, and laced lightly with currants and capers and little bits of shallot.

You should have it so good! I sure did... I sat down to a plate that looked like this:, and it's all gone, now...

Brown Butter Cod over Bulgar Wheat Salad, with...

20121127-09	15:31	SteveB	Cartoon: New GOP Strategy to 'Get Out the Spic Vote'



20121127-10	15:56	Ben	Re: Cartoon: New GOP Strategy to 'Get Out the Spic Vote' (reply to SteveB, above)

Deep thought processes of the GOP... loved it.

20121127-11	16:09	Art	Re: Cartoon: New GOP Strategy to 'Get Out the Spic Vote' (reply to SteveB, above)

Sounds about right.

20121127-12	16:27	SteveB	"GOP Senators Criticize Susan Rice after Meeting"

I guess, unlike I implied in yesterday's *FotM Newsletter* #278, we still haven't heard the end of this Benghazi nothingness… These Republicans—McCain, Graham, and Ayotte—are starting to p*ss me off!

"GOP Senators Criticize Susan Rice after Meeting" by Oren Dorell, *USA Today*

(U.N. Ambassador Susan Rice met Tuesday with GOP lawmakers on Capitol Hill on the attack on the U.S. Consulate in Libya.)

November 27. 2012, (http://www.usatoday.com/story/news/world/2012/11/27/ambassador-susan-rice-biography-benghazi/1728985/)

(WASHINGTON) After meeting with U.N. Ambassador Susan Rice on Tuesday, three GOP lawmakers said their concerns have only grown about misleading statements Rice made concerning the attack on the U.S. Consulate in Libya that left Ambassador Christopher Stevens and three other Americans dead.

Rice's meeting with Sens. John McCain, Lindsey Graham and Kelly Ayotte on Capitol Hill came as the White House signaled it may nominate Rice to replace Hillary Rodham Clinton as secretary of State.

McCain, R-Ariz., has said he may oppose her nomination because she should have known her statements on the Sept. 11 attack were false.

Rice said in a round of interviews days after the deadly incident that the attack may have emerged from a protest outside the consulate in response to an anti-Islam video produced in the USA. It was later learned there was no protest and the attack was a well-organized terror plot likely timed for the anniversary of 9/11.

"It is clear the information she gave the American people was incorrect when she said that it was a spontaneous demonstration triggered by a hateful video," McCain told reporters after the meeting with Rice. "It was not, and there was compelling evidence at the time that that was certainly not the case."

"The bottom line is that I'm more disturbed than I was before...about how four Americans died in Benghazi, Libya," Graham said.

In a statement, Rice said she and acting CIA director Michael Morell, who joined her for the meeting with lawmakers, reiterated to the senators that her misstatements made on several Sunday talk shows on Sept. 16 were based on talking points provided by the intelligence community.

Former CIA director David Petraeus told lawmakers in a closed-door session earlier this month that the CIA's draft talking points written in response to the assault had referred to it as a terrorist attack. But he also said the reference was removed from the final version.

"While we certainly wish that we had had perfect information just days after the terrorist attack,as is often the case, the intelligence assessment has evolved," Rice said. "We stressed that neither I nor anyone else in the administration intended to mislead the American people at any stage in this process, and the administration updated Congress and the American people as our assessments evolved."

President Obama has defended Rice, who rose up through Democratic circles to advise presidential candidates on international issues. Under President Clinton, she weighed in on key foreign policy decisions, some of which remain controversial.

White House spokesman Jay Carney said questions about Rice's role have been answered, and the focus of congressional inquiry should be on who attacked the consulate and how to assure security at all U.S. facilities. Carney decried what he called a seeming Republican "obsession" over Rice's comments, calling it "misplaced."

But that explanation did not seem to wash with Graham.

"The American people got bad information on 16 September, they got bad information from President Obama days after," Graham said. "The question is: Should they have been giving the information at all .... It's unjustified to give the scenario as presented by Ambassador Rice and President Obama three weeks before an election."

Reuel Marc Gerecht, a former CIA operations officer and now an analyst at the Foundation for the Defense of Democracies, a conservative think tank, says Rice's performance after the Benghazi attack raises a red flag.

"These officials are supposed to assess these things for themselves," Gerecht said. "If you see a situation where a consulate safe house is being attacked by mortars and organized teams, that should tell you this was planned before that video came out."

Rice knew the narrative that would satisfy the White House, Gerecht said. Included in that narrative is that al-Qaeda is losing ground, public sentiments toward the United States are improving in the Middle East, and the attack was not connected to U.S. foreign policy. But she still would have had access numerous news reports that contradicted that narrative, he said.

Ayotte, R-N.H., said she remained disturbed about the Benghazi episode.

"I have many more questions that have to be answered," Ayotte said.

Rice, 48, was born in Washington, D.C., to scholar parents who were themselves involved in policy circles. Her father, Emmett Rice, was the second black governor of the Federal Reserve System; her mother, Lois Dickson Fitt, is an education expert at the Brookings Institution.

Rice received a degree in history at Stanford University in 1986 and attended Oxford before becoming a foreign policy aide to former Democratic Massachusetts governor Michael Dukakis during his 1988 presidential run against George H.W. Bush.

After his unsuccessful campaign, Rice became a consultant at McKinsey & Company, a global consulting firm.

In 1993 she joined the administration of President Clinton, serving at the National Security Council. She held various positions, including director for International Organizations and Peacekeeping, special assistant to the president and senior director for African Affairs.

She was a policy adviser during the genocide in Rwanda and also at a time when the Clinton administration was determining how to handle the emergence of al-Qaeda as a terror threat.

Clinton and his foreign policy staff were criticized for failing to intervene in a serious way to stop the 1994 genocide in which more than 500,000 people were killed, a decision that Clinton would say was the worst mistake of his presidency.

Clinton's foreign policy staff had to fend off criticism it failed to do more to nab al-Qaeda chief Osama bin Laden prior to Sept. 11, 2001. According to former ambassador to Sudan,Timothy Carney, when the Sudan offered to help the United States capture bin Laden, Rice and counter-terrorism czar Richard Clarke advised against it. Later, the 9/11 Commission said no credible evidence existed that Sudan would have made good on its offer.

Following the election of Republican George W. Bush, Rice joined Brookings in 2002 as a senior fellow in the Foreign Policy and Global Economy and Development program, where she offered analyses on failing states and global hunger.

In 2004 she served as an adviser to the presidential campaign of John Kerry. In 2008 she was asked to advise then-Sen. Barack Obama on foreign policy matters.

In January 2009, Rice was confirmed President Obama's permanent representative to the United Nations.

(Contributing: Aamer Madhani and David Jackson.)

20121127-16	19:25	SteveB	More Benghazi: "Fox Says Ricks Apologized, Ricks Disputes"

Wow! Fox News operating as a wing of the GOP? Now, what would make someone think that? Read below…

And, of course, Fox must be telling the 'fair and balanced' truth about their side of the dispute… LOL!

To me, if Fox disputes something, what they dispute must be true! What a bunch of clowns and buffoons!

"Fox Says Ricks Apologized, Ricks Disputes" by Mackenzie Weinger, Politico

Nov. 27, 2012, (http://www.politico.com/blogs/media/2012/11/fox-says-ricks-apologized-ricks-disputes-150376.html)

Fox News has hit back at author Tom Ricks for blasting the network during an on-air interview as **"operating as a wing of the Republican Party" and accusing it of hyping the Benghazi attack**, saying he "apologized in our offices afterward but doesn't have the strength of character to do that publicly."

Michael Clemente, Fox's executive vice president of news, told *The Hollywood Reporter* on Monday Ricks was only seeking publicity with his guest appearance. Ricks, he said, ignored the interview question, "When you have four people dead, including the first U.N. ambassador in more than 30 years, how do you call that hype?", in order to promote his new book — but later apologized.

"When Mr. Ricks ignored the anchor's question, it became clear that his goal was to bring attention to himself -- and his book," Clemente told *THR* in an e-mail. "He apologized in our offices afterward but doesn't have the strength of character to do that publicly."

Ricks, however, told *The Hollywood Reporter* he never apologized.

UPDATE: Ricks tells POLITICO Clemente is "making it up" that he apologized.

"Please ask Mr. Clemente what the words of my supposed apology were. I'd be interested to know," he wrote in an e-mail to *THR*. "Frankly, I don't remember any such apology."

Asked about the discrepancy, Clemente referred POLITICO to Fox News communications representative Dana Klinghoffer, who has yet to respond. Ricks also has yet to respond to a request for additional comment.

Earlier on Monday, Ricks said he told a Fox News producer before he went on air he felt the network had "hyped" the Benghazi story and "it should have been no surprise when I said it."

During Monday's interview, Ricks — who writes a blog for *Foreign Policy* magazine and is a best-selling author of books such as *Fiasco* and *The Generals* — told Fox News's Jon Scott "that **Benghazi generally was hyped, by this network especially." When Scott pushed back, Ricks asked the anchor if he knew how many security contractors died in Iraq. When Scott replied he did not, Ricks said, "no, nobody does, because nobody cared."**

"We know that several hundred died, but there was never an official count done of security contractors dead in Iraq. So when I say this focus on what was essentially a small fire-fight, I think, number one, I've covered a lot of fire-fights, it is impossible to figure out what happens in them sometimes," Ricks said Monday on Fox News. "And second, I think that the emphasis on Benghazi has been extremely political, partly because Fox was operating as a wing of the Republican Party."

[This last part is pretty much as Art has already written in these pages on the Benghazi situation. –SteveB]

20121127-18	20:44	SteveB	Fw: **Today is National Bavarian Cream Pie Day!**

from the Roadfood Team:

Today is National Bavarian Cream Pie Day!

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You lived through another insane Black Friday; you waded through an inbox filled with Cyber Monday offers; and there are *still* people for whom you have yet to get a present. What could be a more appropriate gift for your food-loving friends and family than the brand new 2013 Roadfood Calendar?

Place your order here. (Note that the picture above is a low resolution photo of the calendar. The actual calendar photos are of much higher quality.)

20121127-19	21:23	Tom	Video: "Bolivian Kick Boxer Meets U.S. Marine"

Don't dance, just fight! Enjoy!

Video: "Bolivian Kick Boxer Meets U.S. Marine" (http://www.youtube.com/watch?v=UxRKGiXoMb4&sns=em).

[It looks like that marine had better get away from that crowd quickly. I'm not sure what part of Bolivia this is from. Usually, we use blockades, knives, guns, or roosters here to settle disputes. This video reminds me of one of the Indiana Jones movies. Some Indian shows Indiana a bunch of threatening fighting moves. He's tired and irritated, so he just shoots the guy. –SteveB]

20121127-20	23:26	Tom	Cartoon: Doctor Becomes Walmart Greeter because of Obamacare

This is so true!

[Tom, I'm wondering how it is that this is "so true" when it's never happened in the history of the world? Are you really worried about doctors, even under the dreaded Obamacare? Methinks thy concern be misplaced. And does being a Walmart greeter suck only lately, since they've started unionizing? Before, it didn't suck? Man, if they'd just get rid of those stinking unions, American millionaire doctors would be applying for those jobs like crazy, now that Obamacare is going to make them poor anyway! –SteveB]

20121127-21	23:58	Marci	Cool Photos #16 (Chicago's Lake Shore Drive, Feb. 2, 2011)

20121127-22	23:59	SteveB	Photo: Fireworks

http://www.fireworksarcade.co.uk/world-pyro-olympics-a-delight-for-the-eyes/

—Friends of the Middle,
Steven W. Baker (SteveB), Editor/Moderator

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