

HB 1120 -- PYRAMID SALES SCHEMES

SPONSOR: Jones (88)

Currently, the definition of "pyramid sales scheme" includes any plan or operation which relies upon the recruitment of additional persons to participate in such plan or operation for a monetary benefit, rather than for the actual sale or distribution of goods, services, or products for purposes of resale to consumers. This bill repeals the current definition and provides that "pyramid sales scheme" is a plan or operation that gives consideration for the opportunity to receive compensation from bringing persons to the plan or operation rather than from the sale and consumption of goods, services, or intangible property by a participant or other persons introduced into the plan or operation. It limits the number of people who can participate in the plan and includes a plan or operation in which a person, on giving any consideration, obtains goods, services, or intangible property in addition to the right to receive compensation.

The bill does not prohibit a plan or operation where the participants give consideration in order to receive compensation based upon the purchase of goods, services, or intangible property for personal use, consumption, or resale as long as the plan or operation does not cause inventory loading and is a bona fide inventory repurchase program as the terms are defined in the bill.

The bill requires a person to clearly define a bona fide repurchasing program in any recruitment literature, sales manual, and contracts with independent salespersons. In addition, an entity is required to specify which inventory is excluded from a bona fide inventory repurchase program as seasonal, discontinued, or special promotion products.