

PYRAMID PROMOTIONAL SCHEME ACT (EXCERPT)
Act 186 of 2018

445.2582 Definitions.

Sec. 2.

As used in this act:

(a) "Compensation" means a payment of any money, thing of value, or financial benefit conferred in return for inducing an individual to participate in a pyramid promotional scheme.

(b) "Consideration" means the payment of cash or anything of value or the purchase of goods, services, or intangible property. The term does not include the purchase of goods or services furnished at cost to be used in making sales and not for resale, or time and effort spent in pursuit of sales or recruiting activities.

(c) "Inventory" means goods, including company-produced promotional materials, sales aids, and sales kits, that a plan or operation requires participants to purchase.

(d) "Inventory loading" means the requirement or encouragement by a plan or operation that its participants purchase inventory in an amount that exceeds the amount that the participant can expect to resell for ultimate consumption or to consume in a reasonable time period, or both.

(e) "Inventory repurchase program" means a program that does all of the following:

(i) Upon request, repurchases all current and marketable inventory in the possession of a participant within 12 months after the date of purchase, at not less than 90% of the original net cost, less appropriate setoffs, if any, when the participant's business relation is terminated.

(ii) Clearly and prominently communicates the terms of the inventory repurchase program in its recruiting literature, sales manual, or contracts with participants, including the manner in which the repurchase is to be exercised and how any setoffs are calculated.

(iii) Clearly and prominently communicates to a participant, before the purchase, in its recruiting literature, sales manual, or contracts with participants, what inventory is excluded from the inventory repurchase program, including inventory that is classified as seasonal, discontinued, special promotion, is no longer within the inventory's commercially reasonable use or shelf life period, or is otherwise not eligible for repurchase under the inventory repurchase program.

(f) "Participant" means an individual who joins a plan or operation.

(g) "Promote" means to contrive, prepare, establish, plan, operate, advertise, or otherwise induce or attempt to induce an individual to participate in a pyramid promotional scheme.

(h) "Pyramid promotional scheme" means any plan or operation in which an individual gives consideration for the opportunity to receive compensation that is derived primarily from recruiting other individuals into the plan or operation rather than from the sale of products or services to ultimate users or from the consumption or use of product or services by ultimate users.

(i) "Ultimate user" means an individual who consumes or uses a product or service, whether or not the individual is a participant in the plan or operation.

History: 2018, Act 186, Eff. Sept. 11, 2018