



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Bill Analysis

Jennifer A. Parker

### H.B. 329

132nd General Assembly  
(As Introduced)

Rep. Pelanda

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### BILL SUMMARY

- Modifies the law governing pyramid promotional schemes.
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### CONTENT AND OPERATION

#### Pyramid promotional schemes

The bill modifies the existing law that prohibits the proposition, planning, preparation, or operation of a "pyramid sales plan or program."<sup>1</sup>

Initially, it renames the prohibited plan or program a "**pyramid promotional scheme**" and defines that phrase as any plan or operation by which individuals pay consideration for the chance to receive compensation that is derived primarily from recruiting other individuals into the plan or operation *rather than* from (1) the sale of products or services to ultimate users or (2) the consumption or use of products or services by ultimate users.<sup>2</sup> In this context:

"**Consideration**" means the payment of money or anything of value *or* the purchase of products, services, or intangible property, other than (1) payment for sales demonstration equipment and materials furnished at cost for use in making sales and not for resale and (2) the time or effort spent in pursuit of sales or recruiting activities.

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<sup>1</sup> R.C. 1333.92.

<sup>2</sup> R.C. 1333.91(A).

"**Compensation**" means money or anything of value, except for payment based upon sales made to persons who are not participants in a pyramid promotional scheme and who are not purchasing in order to participate.

"**Ultimate user**" means an individual who consumes or uses a product or service, whether or not the individual is a participant in the scheme.<sup>3</sup>

As under current law, any contract made in violation of the prohibition against proposing, planning, preparing, or operating a pyramid promotional scheme is void. An individual who has paid consideration for the chance to participate in a scheme has a right of action and may recover the amount paid, along with reasonable attorney fees, from any participant who has received compensation (1) for introducing the individual into participation in the scheme or (2) when another participant has introduced the individual into participation in the scheme.<sup>4</sup>

In addition, under continuing law a violation of the prohibition subjects the offender to criminal penalties, the degree of which depends on the value of the compensation.

Value of compensation	Penalty
Less than \$1,000	First degree misdemeanor
\$1,000 or more and less than \$7,500	Fifth degree felony
\$7,500 or more and less than \$150,000	Fourth degree felony
\$150,000 or more	Third degree felony <sup>5</sup>

Under continuing law, whenever it appears that a person is violating or about to violate the prohibition, the Attorney General may seek a restraining order or injunction to enjoin the violation. The court issuing the order or injunction may impose a penalty of not more than \$5,000 for each day it is violated.<sup>6</sup>

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<sup>3</sup> R.C. 1333.91(B) to (D).

<sup>4</sup> R.C. 1333.93.

<sup>5</sup> R.C. 1333.99(G), not in the bill.

<sup>6</sup> R.C. 1333.94, not in the bill.

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## HISTORY

ACTION

DATE

Introduced

08-30-17

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