



1667 K Street, NW
Suite 1100
Washington, DC 20006
202-452-8666 | 202-452-9010 Fax
www.dsa.org

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Ohio Senate Finance Committee

Re: Support for HB 329: Anti-Pyramid Scheme Legislation

Dear Members of the Ohio Senate Finance Committee:

The Direct Selling Association (“DSA”) would like to **voice its support for HB 329 sponsored by Representative Dorothy Pelanda. The bill would clearly define and establish penalties for operating or participating in a pyramid promotional scheme.**

DSA is the national trade association for companies that sell their products and services directly to consumers through an independent, entrepreneurial salesforce. In 2016, over 554,000 Ohio residents were involved in direct selling and the industry contributed over \$1 billion in sales to the state. Over 20 million Americans are involved in direct selling in every state, Congressional district and community in the United States.

The current law is deficient and does not draw a clear line of delineation between legitimate direct selling companies and pyramid schemes. The lack of a clear pyramid scheme in statute may create confusion among the public, particularly when considering that some pyramid schemes masquerade as legitimate direct selling companies to defraud consumers.

This bill clearly defines a pyramid scheme as any plan or operation in which compensation is provided primarily for the recruitment of others and makes clear that personal use of products in a legitimate business practice. This legislation is needed to protect consumers because pyramid schemes are illegal businesses that defraud consumers. It would give law enforcement in Ohio more guidance on identifying and prosecuting pyramid schemes and guide legitimate direct selling companies on what constitutes acceptable business practices.

The bill would clearly differentiate the legal income earning opportunities offered by legitimate direct selling companies from the scams perpetrated by fly-by-night promoters of pyramid schemes. Encouraging adoption of a right of return for inventory purchased by individual direct sellers.

This language is largely derived from model legislation endorsed by the Council of State Governments (CSG) in 2004. This model or similar models have been adopted in 21 states. The bill protects consumers by providing guidance on identifying illegal businesses and provides clarity for legitimate direct selling companies on ethical business practices.

Nobody wins when pyramids schemes prevail. Not consumers or legitimate direct selling companies. **DSA urges you to vote for HB 329 to protect consumers and provide guidance to legitimate direct selling companies.** Thank you.

Sincerely,

Brian Bennett
Senior Director, Public Affairs & Advocacy
Direct Selling Association