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§8–404.

(a) (1) In this section the following words have the meanings indicated.

(2) "Compensation" includes payment based on a sale or distribution made to a person who:

(i) is a participant in a plan or operation; or

(ii) on making a payment, is entitled to become a participant.

(3) "Consideration" does not include:

(i) payment for purchase of goods or services furnished at cost for use in making sales to persons who are not participants in the scheme and who are not purchasing in order to participate in the scheme;

(ii) time or effort spent in pursuit of sales or recruiting activities; or

(iii) the right to receive a discount or rebate based on the purchase or acquisition of goods or services by a bona fide cooperative buying group or association.

(4) "Promote" means to induce one or more persons to become a participant.

(5) "Pyramid promotional scheme" means a plan or operation by which a participant gives consideration for the opportunity to receive compensation to be derived primarily from any person's introduction of others into participation in the plan or operation rather than from the sale of goods, services, or other intangible property by the participant or others introduced into the plan or operation.

(b) A person may not establish, operate, advertise, or promote a pyramid promotional scheme.

(c) It is not a defense to a prosecution under this section that:

(1) the plan or operation limits the number of persons who may participate or limits the eligibility of participants; or

(2) on payment of anything of value by a participant, the participant obtains any other property in addition to the right to receive compensation.

(d) A person who violates this section is guilty of a misdemeanor and on conviction is subject to imprisonment not exceeding 1 year or a fine not exceeding $10,000 or both.

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