

Office of the Attorney General

Press Release

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Attorney General's Office Nets Refunds From Multi-Level Marketer

Cheyenne - Attorney General Hoke MacMillan today announced the conclusion of an investigation involving alleged violations of the Wyoming Multilevel and Pyramid Distributorship Act by Pre-Paid Legal Services, Inc., of Tulsa, Oklahoma. In June, the Attorney General accepted a formal Assurance of Voluntary Compliance that required the company to cease using prohibited income statements and to issue over \$2000 in refunds to participants who claimed to have been misled by earnings claims. Pre-Paid was also required to pay \$4000 in lieu of civil penalties and \$1000 to reimburse the Attorney General's Office for expenses.

Pre-Paid Legal Services, Inc. is one of the nation's largest promoters of prepaid legal services plans. The company markets its products through "multilevel" or "network" marketing. Multilevel marketing programs involve distributors or sales associates earning commissions on sales and recruitment of additional plan participants and sales and recruitment attributed to those they have recruited. Pre-Paid's associates recruit other associates and earn commissions on "downline" associates's sale. Under Wyoming law, this arrangement is considered "multilevel marketing." The Wyoming Multilevel and Pyramid Distributorship Act prohibits the use of "income representations" or claims that participants have earned any particular amount by participating in the multilevel plan.

"When we discovered that Pre-Paid was using prohibited income representations to promote their multilevel marketing program, we warned them that the representations were prohibited by Wyoming law," explained Christopher Petrie, Senior Assistant Attorney General in charge of the Attorney General's Consumer Protection Unit. "The income representations continued on Pre-Paid's web site, including an audio recording of a conference call hosted by the company's CEO that was added to the site after they were warned." Pre-Paid has eliminated prohibited income

representations and other material from its web site in order to comply with Wyoming law.

Attorney General Hoke MacMillan stated, “Wyoming’s laws regulating multilevel marketing programs are designed to prevent MLM promoters from misleading people as to the profitability of participating and to protect those who do participate from unfair terms and conditions. Statutory restrictions also guard against the promotion of pyramid schemes, which are different from multilevel marketing programs, but can be difficult for many people to distinguish.”

The Wyoming Attorney General’s Office recommends that citizens avoid multilevel marketing programs that:

- Emphasize commissions for recruiting additional distributors, or require new distributors to purchase expensive products and marketing materials. These features are hallmarks of illegal pyramid schemes.
- Claim you will make money through continued growth of your “downline” or sales organization, i.e., the number of distributors you recruit, the number that they recruit, and so on.
- Claim to sell miracle products or promise enormous earnings. Representations of income are prohibited in Wyoming.
- Require you to pay a fee to participate or sign a contract in an "opportunity meeting" or any other high-pressure situation.

Like other small business start-ups, multilevel marketing plans seldom succeed without the investment of hard work and money. Take adequate time to make a decision, and discuss it with a family member, friend, accountant or attorney. Conduct your own independent research, and check the program’s record with the Attorney General’s Office or the Better Business Bureau. If a multilevel marketing program sounds too good to be true, it probably is.