

**SUBSTITUTE FOR
HOUSE BILL NO. 5727**

A bill to amend 1974 PA 269, entitled
"Franchise investment law,"
by amending section 28 (MCL 445.1528).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 28. ~~(1) A person may not offer or sell any form of~~
2 ~~participation in a pyramid or chain promotion. A pyramid or chain~~
3 ~~promotion is any plan or scheme or device by which (a) a~~
4 ~~participant gives a valuable consideration for the opportunity to~~
5 ~~receive compensation or things of value in return for inducing~~
6 ~~other persons to become participants in the program or (b) a~~
7 ~~participant is to receive compensation when a person introduced by~~
8 ~~the participant introduces one or more additional persons into~~
9 ~~participation in the plan, each of whom receives the same or~~
10 ~~similar right, privilege, license, chance, or opportunity.~~

1 ~~—— (2) A pyramid or chain promotion is declared to be illegal and~~
2 ~~against the public policy of the state. Any contract made in~~
3 ~~violation of this section is voidable at the sole option of the~~
4 ~~purchaser.~~

5 ~~—— (3) The department shall not accept for filing a franchise~~
6 ~~which involves a pyramid or chain distribution contrary to the laws~~
7 ~~of this state.~~ **THAT INVOLVES A PYRAMID PROMOTIONAL SCHEME THAT**
8 **VIOLATES THE PYRAMID PROMOTIONAL SCHEME ACT, MCL 445.2581 TO**
9 **445.2586.**

10 Enacting section 1. This amendatory act takes effect 90 days
11 after the date it is enacted into law.

12 Enacting section 2. This amendatory act does not take effect
13 unless House Bill No. 5726 of the 99th Legislature is enacted into
14 law.