

# Do's and Don'ts for Distributors

By: D. Jack Smith, MLM Attorney

Initially ensuring legal compliance of a multi-level marketing company's entire sales efforts and marketing plan is the responsibility of company management and its specialty MLM legal counsel.

The plan must be designed so as not to conflict with pyramid, lottery, securities, franchise, and business opportunity and buyers club laws. It is possible, however, for distributors to get a company involved with the regulatory authorities even though the marketing plan itself might be in perfect compliance.

Our office sends each and every new marketing plan to all 50 state Attorney Generals' Offices as a matter of policy. Even though this has been done, and, in fact, the regulatory authorities raise no objection, they still want to leave their options open for the future in case the plan is misstated or misrepresented or any future unlawful activity should occur.

1. For this reason it is forbidden to make the claim that they have "approved" or certified the legality of any marketing plan. Arkansas and Indiana are especially sensitive to this claim and have filed numerous lawsuits against the company and its distributor making said claim. Neither should a distributor claim that any Better Business Bureau or Chamber of Commerce has approved the marketing plan. They simply don't conduct this sort of review and certification activity.

2. Distributors should never overstate a company's earnings or market potential. Misrepresenting anything in a plan can be considered to be fraud.

3. Many enthusiastic distributors design and put forth their own sales and promotional literature which will nearly always get the company in trouble. It is imperative that distributors not go outside the official company materials, every word of which has been reviewed by corporate MLM Counsel.

4. It should always be remembered that the distributor is working to build a legitimate business organization in his or her downline. It should never be implied that any marketing plan is going to deliver something for nothing. Work and effort are the keys to building any successful distributorship and business enterprise and your company and its distributorships should and its distributorships be so presented.

5. Distributors should be careful not to “load” their downline distributors with large quantities of unsellable or slow moving products. The authorities are always sensitive to attempts to load or large, forced purchase, “buy in” requirements.

6. Additionally, it should be remembered that the focus of any marketing program should be to promote retail sales to non-participant consumers or “end users” – building a legitimate business enterprise by sales to retail customers not just other distributors. Many states and programs recognize that purchases for personal or family use in reasonable amounts by distributors are also retail sales, but distributors should never forget that, in the last analysis, they are “marketers” to the public at large.

7. Accuracy, truth, and reality in all statements and dealings by distributors and scrupulous care not to misrepresent products, earnings, or health claims will protect the distributor as well as the company from 90% of the mistakes it is possible to make.