



March 13, 2020

Dear Madam Chairwoman and members of the committee, I am Thomas Cohn, Interim General Counsel of New Avon Company ("Avon"). Thank you for this opportunity to speak with you today in support of this important legislative initiative.

Avon would like to voice its strong support for SB 494. The bill would clearly define and establish penalties for operating or participating in a pyramid promotional scheme.

New Avon Company is the leading social selling beauty company in North America. Avon's North American business includes Independent Sales Representatives across the United States and Puerto Rico, including over 1,500 in the state of Kansas. Avon's product portfolio includes award-winning skincare, color cosmetics, fragrance and personal care products, featuring iconic brands such as ANEW, Avon Color, mark., and Skin So Soft, as well as fashion and accessories. Avon has a 130+ year history of empowering women through economic opportunity.

Current Kansas law does not draw a clear line between legitimate direct selling companies and pyramid schemes. This lack of a clear pyramid scheme definition may create confusion among the public, particularly when considering that some pyramid schemes masquerade as legitimate direct selling companies to defraud consumers.

SB 494 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 is a legitimate business practice. It also protects individual direct sellers by encouraging adoption of a right of return in the event of any unsold inventory. This legislation would give law enforcement in Kansas more guidance on identifying and prosecuting pyramid schemes and guide legitimate direct selling companies on what constitutes acceptable business practices.

This language is derived from model legislation endorsed by the Council of State Governments (CSG) in 2004 and is based on the 2003 South Dakota law. The CSG is one of the country's preeminent state public policy organizations. Twenty-five states have adopted this or similar language. Specific legislation was subsequently enacted into law in Arkansas, Idaho, Washington, Georgia, Utah, Nebraska, Virginia, Tennessee, Indiana, New Jersey, South Carolina, Mississippi, Michigan and Ohio. Ten other states have similar laws consistent with the CSG language, including Texas, Louisiana, and Oklahoma. This language has been used as a theory of prosecution in several jurisdictions.

In sum, this legislation 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. For these reasons, Avon urges you to vote for SB 494, to protect consumers and provide guidance to legitimate direct selling companies. Thank you.