

# LOTTERINEMNDA

Side 1 av 1

Vår saksbehandler/telefon  
Siv-Karin Hestad, 57 82 80 44

Vår dato  
29.12.2011  
Deres dato  
09.05.2011

Vår referanse  
201102594-4  
Deres referanse

WMI Scandinavia  
v / Advokat Even Rørvik  
Postboks 6  
1501 MOSS

Kopi til  
Lotteri- og stiftelsestilsynet  
Postboks 800  
6805 Førde

## WMI Scandinavia – klage over pålegg om opphør av ulovlig pyramidespill, jf. lotteriloven § 14 a og § 16

Lotterinemnda har i møte 22. desember 2011 behandlet Deres klage av 9. mai 2011 oversendt fra Lotteri- og stiftelsestilsynet 12. juli 2011.

Kopi av Lotterinemndas vedtak er vedlagt til informasjon.

Lotteri- og stiftelsestilsynet er orientert ved kopi av dette brev med vedlegg.

Med hilsen  
Sekretariatet for Lotterinemnda

  
Siv-Karin Hestad  
Seniorrådgiver

Vedlegg: Lotterinemndas vedtak

Kopi: Lotteri- og stiftelsestilsynet

Postadresse  
Lotterinemnda  
Postboks 800  
6805 Førde

Besøksadresse  
Naustdalsvegen 5  
6800 Førde

Telefon  
57 82 80 00  
Telefaks  
57 82 80 80

E-post  
postmottak@lotterinemnda.no

Our date Our reference

12/29/2011 2011 02594-4 Our saksbehandleritelefon

Your date Your reference Siv-Karin Hestad, 57 82 80 44 09/05/2011

Cc WMI Scandinavia Lottery and  
stiftelsestilsynet v / Attorney Even Rørvik PO Box 800 PO Box 6 6805 Forde  
1501 MOSS

WMI Scandinavia - the appeal of an order of termination of illegal pyramid scheme, see  
the Lottery Act, 14 a and 16

Lotterinexanda has rnøtc 22 desenflaer 2011 dealt with your complaint of 9 May 2011  
submitted to the Gaming Authority 12 July 2011.

A copy of Lotterincmndas decision is attached for disposal information.

Lottery and stiftelsestilsynet is informed by a copy of this letter with attachments.

Sincerely, Secretariat of the Gaming Board

Seniorråd eiiver

Attachments: Lottery Board Decision

Postal Address Telephone E-mail Lotterinexnnda Naustdal Road 5:57 82 80 00 poslmottak @.  
lotterincmnda.no PO Box 800 6800 Fax Forde

# LOTTERY COMMITTEE

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Decisions by the Lottery Board 22/12/2011

Item

2011099

WVealth Masters International - appeal against the decision with an order to halt sales of the products, cf lotterilovven 16

Present: Chairman Marianne Vollan , a member Anne Berit Sandvin and member Eystein Gjelsvik

Case Background

On the basis of multiple contact Gaming Authority 6 October 2010 pursuant to the lottery 16, third paragraph, the required documentation. trading system to WVealth Masters International (WMI).

WMI represented by the law firm Hellerøy & Co., explained in the letter of 5 November 2010 for business and responded to the points the Authority had requested.

Gaming Authority sent 21 December 2010 WMI forhånds-arsel that the Authority would make a decision with an order to cease sales of WMIs products, when the agency considered the sale to be in violation of the Lottery Act, 16 second paragraph. It was given a three-week deadline to halt the sale or to object to the notification.

After several deadline extensions were 31 complaints January 2011 object to the notification. It is submitted that the Authority has the wrong facts to base its assessments and conclusions therefore are incorrect. Complaints show that WMI has not 100 members, but 200 members in Norway and that they are not members of the Norwegian conceptual understanding. Complaints show in the context that it is not required withdrawal. The complainant denies further that anyone who buys the products, have become consultants. The complainant said that the distributors do not have to go out with "other utgifter" to include marketing, and that the section on commissions and bonuses are inadequate and calculation of commission, the size is incorrect. The complainant claims that there is no

\_ pyramid effect by payment of annual subscription and shows that there is merit in

årskontingenteli. The complainant states that WMI has decided to make this tax voluntarily in Norway. It should be a detailed account of the various categories and groups of consultants and for the bonus. The complainant claims that their products are overpriced and that the purchase and sale of products is not an indirect payment for participation. Complaints require that the Authority is undergoing the products thoroughly. The complainant submits a claim for access to case documents.

Lottery and stiftelsestilsynet accommodating 9 February 2011 partial request for

access.

Gaming Authority met on 28 March 2011 decision with an order ORN that WMI must stop sales in Norway pursuant to pyramidebestemmelserne i lotteriloven § 16. The decision was justified with the fact that WMI is a pyramid scheme where the provision of remuneration to participants is based on the sale of new shares to the system, and not on the sale or consumption of goods, services or other benefits.

At the request of the complainants, the Gaming Authority and the Data Protection Authority granted access to the requested information on 9 May 2011. It also granted partial access to additional documents.

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Gaming Authority's decision was appealed S. May 2011. The complainant believes that some of the

disposal information given earlier of complaints may have been Lipresis. It appears that their products (training / education) is very untraditional in network marketing and requesting that they be compared with similar find, for instance, NKI. The complainant contends that none of the products is called the opening or entrance product, and that no one recruited. The complainant states that WMI exclusively sells products, and that it is every single sale that triggers commission. The complainant claims that the business of WMI works the same way as the sale of encyclopedias and mobile phones. The complainant argues that the commission is created through the organization, is the maximum of 5%.

The complainant also states that it is not paid any compensation to be Sales Manager, but the requirement that a buyer product. The complainant contends that the annual fee (99 USD or approx. 540 million) is a very low amount and is a administrasjonsgebyr to keep the consultants up to date and to provide appropriate access complainant contends in addition that WMIs products are not overpriced and claims in the context that the products are in a different price range than the ordinary consumer goods, as this is education products. Complaints show that WMIs customers are very satisfied with the products they have purchased. WMI emphasizes that the firm is not involved in recruiting, only direct sales, and argues that it is not necessary to purchase all products for maximum income. The complainant claims that one can achieve a good Norwegian income by Kim to sell mPower and MI. In this context, highlights complaints that the investment in egenopplæringen in MI is moderate (12 000 million) and can not be called overpriced in relation to the product knowledge training provides. The complainant further submits that the commission of the consultants are well below 50%, and that the premise of the pyramid, therefore, are not present. Complaints also shows that the commission is based only on sales and not on membership. Please refer to the complaint in its entirety.

The complainant has submitted a request on the face of the Lotteries and stiftelsestilsynet. This meeting was for the postponement of appeals, held on 16 June 2011

~ Gaming and stiftelsestilsynet has found no reason to reverse its decision and has forwarded the complaint to the Gaming Board for consideration. Lottery Board received 12 July 2011 complaint with the recommendation of the Gaming Authority.

Lottery Board has in the e-mail 19 September 2011 received input from the complainant, now represented by a lawyer Prashant Rørvik. Here it is argued that the agency has subject matter for any particular treatment. It stated further that WMI does not have office duties, and that it is not paid compensation for recruiting. The complainant argues that the product is not overpriced and points out that there are considerable costs to hold courses. It is submitted that it is not paid an annual fee to participate in WMI, but that each participant is free to participate regardless of payment in the form of annual fees. Complainant claims that lotteriloven 16 may not apply to WMIs business. Please refer to the email in its entirety.

## The legal basis

According to the Lottery Act 24 February 1995 § 4 of the Gaming Authority will supervise the provisions contained in or issued pursuant to this Act are complied with.

the Lottery Act, 16, first paragraph, DCT prohibited to establish, operate, participate in or spread pyramid game or similar system. As the subject is considered connected any system where

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provided compensation for opportunity to achieve revenue only comes from others recruited to the pyramid game rnv. The ban includes the second paragraph of the pyramid-like trading system that provided compensation for opportunity to achieve revenues in particular due to other offices to the system, and no sale or consumption of goods, services or other benefits.

Of Public Administration 34 it follows that the appeal body may all aspects of the case, including taking into account new information. This implies that the appeal body can fully test both the application of law, administrative procedures, fact and discretionary. The Board of Appeal can make a new decision or quash it and send the case back to the authority to fully or partly.

## Lottery Board assessment

WMI appeals the Gaming Authority's decision with an order to cease sales in Norway pursuant to pyrarnidebestcnimelsen in the Lottery Act, 16 After the Lottery and set of hands Authority's assessment is WMI a pyramid-like omsetningssystem which provided compensation for å have the opportunity to achieve revenues in particular due to other offices to the system, and not sales or consumption of goods, services or other benefits.

WMI claims they offer education in "Wealth, Health and Wisdom" and a business opportunity. To sell its products have to be a consultant. There are various categories and groups of consultants, which has implications for the company provisjonsog bonus. The company is structured so that konsulentenc may receive commissions based on sales of products for up to five levels out il `rom the / those persons consultant selling products.

Gaming Authority in its decision 28 March 2011 provided a detailed account of the WMIS products mPower, M1, M2 and M3. Gaming Board can not see that complaints have objections to produktbcskrivelsen and put the agency description of the product itself as the basis for further discussion.

It appears from OLprp. No. 97 (2004-2005) About IOV amending the Act of 24 February 1995 no 11 relating to lotteries, etc.. the pyramid games today are usually disguised as a multi-level marketing (MLMyfnettverkvirksoheter. MLM or Network Marketing is distribusjonsfonner is structured in different levels and that differ from pure pyramidcspill by the traded goods and / or services and there are sales of products that contribute to winning. occurs "blandingsfonner" with features from both the pyramid and from the mini-companies, which allegedly offered goods and services to a greater or lesser degree. Pyramid-like sales systems are characterized by a large tilspasningsdyktighet to government regulations, by making changes that do not represent significant changes in reality. Legislators wanted to lotteriloven 16 å prevent the events that are characterized by the pyramid effect is a prominent element in the business. When the company's / participant's income derived directly or indirectly from consideration for participation, and income is dependent on increasing growth of new participants, there pyTamideeffekten.

It may, by the so-called blandingsformenc be difficult to determine whether the goal of the organization and deltakeme is to develop a healthy business with sales and / or services, or if

the goal is to make a future profit by paying into pengeri bottom of the pyramid.



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appears in Otprp. No. 97 to the included four elements in the assessment of whether there are illegal pyramid schemes or pyramid-like omsetningssystem. There must be a pyramid-like sales structure. It must be to create a pyramid effect, provided compensation to participant status. The compensation must be provided for the purpose and with the view to achieve financial gain in the next game. Finally, the relationship between income and recruiting consideration.

It is Lotterinerndas opinion that the Gaming Authority in its notice of decision and in the decision, has made a thorough assessment of WMI up against these elements. Initterinemnda however disagrees with the Authority in the formulation of the third evaluation criterion, and asks the Authority note this. Authority has discussed this on the basis that it has provided compensation to have the opportunity to achieve revenues. Lottery Board nicncr basis of the assessment must be whether there is opportunity for the income of others deltakeravgifl.

Pyramid-like sales structure WMIs turnover is built over levels. The company's consultants depending on the type of consultant status they have, receive financial benefits for up to five levels .

Lottery Board joins in the supervisor's assessment and are similar to the Authority concluded that WMI clearly has a pyramid-like sales structure.

provided the consideration for participant status?

Participant Payment is a condition that WMI can be affected by the Lottery Act, 16 This means that WMIs participants must make a payment to the participant status. Deltakrbetaling may preparatory works take the form of any type of economic value. When the consideration for purchase of starter kits, brochures, irlroduksjonsmateriale, opplæringskms and the like do not correspond with the actual values of such material, it is considered to be an indirect acquisition of deltakerstatlls in the system. There is also an indirect payment for participation when the products that are traded in the system, overpliset.

Gaming Authority has in its decisions carefully considered the question of the provision of compensation to participant status. Authority refers to that it paid an annual fee to be WMIkonsulent. In addition, the Authority considered the products to have a relatively much lower real value than the price suggests, and that sales of the product is mainly motivated by creating a cash flow that goes up in the system . The Authority has considered WMIs products based on quality and content over priced. Lottery Board has noted the complainant's allegations, but endorses the Authority's assessments. This product is described, the Tribunal finds that WMIs products actually have a considerably lower value a price they are sold for. Lottery Board is thus similar to the audit that regardless of whether årsavgiften be voluntary, indirectly provided compensation through the sale of goods that are overpriced.

It is stated that one can be a vendor / consultant without even having bought WMIs products, but the participant must, among else pay an annual fee of 99 that must be considered deltakerbetalmg for this group of participants.

# LQTTERINEMNDA Sidemen

Possible income from other participant fee

Pyramideselskapene or a pyramid-like system is characterized by the fact that it is often inherent in income a premium to recruit new participants. All or part of payments from the system stems from the new participants' entry fees.

There must be assessed on charges of participating in the WMI provided to achieve financial gain new deltakeres participant fees. It is required for the preparatory work is not a safe option for income, the decisive factor is whether the participant the system made in view of a theoretical opportunity for income. Pyramideselskaper lures often with large unrealistic revenue.

Gaming Authority displays in its decision on 28 March that WMI, through its marketing on its website and the information given at meetings, has a primary focus on the business opportunity of the company and how much the consultants can get in commissions and bonuses. It appears that WMI on their website advertises that the participant could earn "six or seven digit income" and "2 000 - 10 000 a week." WMI has also developed a system for payment of bonus and commission for the company's consultants on the sale of products (as indirectly through the pricing is deltakeravgifi) for up to five levels.

After the Gaming Board's assessment adds XVMI in their system to their participants shall (may) sell / recruit products, thereby making the new attendees. WMI thus makes it possible for its participants to gain revenues of other participants deltakeravgifi. It seems clear to the Tribunal that WMIs members / consultants are lured into the system in that it made in view of financial gain in the form of bonus / commission.

It is the board's clear opinion that the revenues of the system will come from the new participant's payment for participation. It is in the assessment not relevant to the quotes from the complaint that the revenue goes to the parent WMI centrally and that the consultants are paid from a central WMI as long as the income of the consultants generated from sales / recruiting of new participants. It is the Gaming Board wrdering that WMI provides that its participants have the opportunity for large (unrealistic) earnings.

The relationship between income and recruiting

Should the company be affected by forbudshestemmelsen 16 must be income in the company mainly come from recruiting (deltakeravgifi) and not from sales of products. It appears from the Ot. prp. No. 97 that more than 50% of revenues must come from recruiting through participation payment.

Gaming Authority has in its case study drawn up a list of commission and bonus system of elite consultants for WMIs products. Authority is here concluded that between 59 and 75% of the payment of the products goes directly to the commission and bonus pool from sales. For all consultant states exceeds the percentage of the sales price that goes to the commission and bonus pool 50%.

It is on the Board assessment that the products offered by WMI are not ordinary consumer

products and find out from the documents is unlikely that the products purchased several times a kLmde / participant. Revenues in the company is thus dependent on new participants to generate revenue for the company. Authority has his view demonstrated that a large portion of the proceeds from the products are allocated to the commission and bonus. The products are also considered to be overpriced. Lottery Board on the basis of this along with the Authority, concluded that the

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company's revenues in the reality of large partly due to recruitment of new participants and not the sale of products or services. Lottery Board parts thus Authority's assessment that more than 50% of its revenues derived I`ra recruiting of new participants to the company.

After the Gaming Board's opinion, WMI after that a pyrainideliknende omsetningssystem where the provision of compensation to be able to achieve revenues in particular due to other offices to the system, and no sale or consumption of goods, services or other benefits. Lottery Act 16 will thus be applicable to the company.

Lotterínemnda find on the basis of the above and the documents that the Lottery and stiftelsestilsyfnets decision to order the halt of sales of products, is valid.

The complainant has the e-mail on 19 September asked for suspensive effect, which the Tribunal can not find a basis for. Lottery Board. shows the connection to the the administrative handling of the matter is now finally settled and the Tribunal is not in doubt about the result. In addition, the company has already been closed since April 201 1.

## Conclusion

The Lottery Board has a specific assessment of the case information and the Lotteries and stiftelsestilsynet judgments found wanting confirm the Authority's decision, see Public Administration 34, fourth paragraph.

## Resolutions

Complaints are not given medhnull.