

PENAL CODE
PART 1. Crimes and Punishments
TITLE 9. Of Crimes Against the Person Involving Sexual Assault, and Crimes Against
Public Decency and Good Morals
CHAPTER 9. Lotteries

Cal Pen Code § 327 (2003)

§ 327. "Endless chain" schemes

Every person who contrives, prepares, sets up, proposes, or operates any endless chain is guilty of a public offense, and is punishable by imprisonment in the county jail not exceeding one year or in state prison for 16 months, two, or three years.

As used in this section, an "endless chain" means any scheme for the disposal or distribution of property whereby a participant pays a valuable consideration for the chance to receive compensation for introducing one or more additional persons into participation in the scheme or for the chance to receive compensation when a person introduced by the participant introduces a new participant. Compensation, as used in this section, does not mean or include payment based upon sales made to persons who are not participants in the scheme and who are not purchasing in order to participate in the scheme.