

1 Introduced by Committee on Commerce and Economic Development

2 Date:

3 Subject: Commerce and trade; consumer protection

4 Statement of purpose of bill as introduced: This bill proposes to implement

5 consumer protection provisions relating to consumer litigation funding;

6 structured settlements; business registration requirements; antitrust penalties;

7 discount membership programs; and nonresidential home improvement fraud.

8 An act relating to miscellaneous consumer protection provisions

9 It is hereby enacted by the General Assembly of the State of Vermont:

10 * * * Consumer Litigation Funding * * *

11 Sec. A.1. 8 V.S.A. chapter 74 is added to read:

12 CHAPTER 74. CONSUMER LITIGATION FUNDING COMPANIES

13 § 2251. DEFINITIONS

14 As used in this chapter:

15 (1) “Charges” means the amount a consumer owes to a company in
addition to the funded amount and includes an administrative fee, origination
fee, underwriting fee, processing fee, and any other fee regardless of how the
fee is denominated, including amounts denominated as interest or rate.

19 (2) “Commissioner” means the Commissioner of Financial Regulation.

1 (3) “Consumer” means a natural person who is seeking or has obtained
2 consumer litigation funding for a pending legal claim, provided:

3 (A) the claim is in Vermont; or
4 (B) the person resides or is domiciled in Vermont, or both.

5 (4) “Consumer litigation funding” or “funding” means a nonrecourse
6 transaction in which a company purchases and a consumer assigns to the
7 company a contingent right to receive an amount of the potential net proceeds
8 of a settlement or judgment obtained from the consumer’s legal claim. If no
9 proceeds or net proceeds are obtained, the consumer is not required to repay
10 the company the funded amount or charges.

11 (5) “Consumer litigation funding company,” “litigation funding
12 company,” or “company” means a person that provides consumer litigation
13 funding to a consumer. The term does not include an immediate family
14 member of the consumer, as defined in subdivision 2200(10) of this title.

15 (6) “Funded amount” means the amount of monies provided to, or on
16 behalf of, the consumer pursuant to a litigation funding contract. The term
17 excludes charges.

18 (7) “Health care facility” has the same meaning as in 18 V.S.A.
19 § 9402(6).

20 (8) “Health care provider” has the same meaning as in 18 V.S.A.
21 § 9402(7).

1 (9) “Litigation funding contract” or “contract” means a contract between
2 a company and a consumer for the provision of consumer litigation funding.

3 (10)(A) “Net proceeds” means the amount recovered by a consumer as a
4 result of a legal claim less costs associated with the legal claim or the
5 underlying events giving rise to the legal claim, including:

6 (i) attorney’s fees, attorney liens, litigation costs;

7 (ii) claims or liens for related medical services owned and asserted
8 by the provider of such services;

9 (iii) claims or liens for reimbursement arising from third parties
10 who have paid related medical expenses, including claims from insurers,
11 employers with self-funded health care plans, and publicly financed health care
12 plans; and

13 (iv) liens for workers’ compensation benefits paid to the
14 consumer.

15 (B) This definition of “net proceeds” shall in no way affect the
16 priority of claims or liens other than those for payments to the consumer
17 litigation funding company under a consumer litigation funding contract
18 subject to this chapter.

19 **§ 2252. REGISTRATION; FEE; FINANCIAL STABILITY**

20 (a) A company shall not engage in the business of consumer litigation
21 funding without first filing a registration with the Commissioner on a form

1 prescribed by the Commissioner and submitting a registration fee and proof of
2 financial stability, as required by this section.

3 (b) A company shall submit a \$600.00 fee at the time of registration and at
4 the time of each renewal. Registrations shall be renewed every three years.

5 (c) A company shall file with the Commissioner evidence of its financial
6 stability which shall include proof of a surety bond or irrevocable letter of
7 credit issued and confirmed by a financial institution authorized by law to
8 transact business in Vermont that is equal to double the amount of the
9 company's largest funded amount in Vermont in the prior three calendar years
10 or \$50,000.00, whichever is greater.

11 § 2253. CONTRACTS; DISCLOSURES AND REQUIREMENTS

12 (a) A contract shall be written in a clear and coherent manner using words
13 with common, everyday meanings to enable the average consumer who makes
14 a reasonable effort under ordinary circumstances to read and understand the
15 terms of the contract without having to obtain the assistance of a professional.

16 (b) Each contract shall include consumer disclosures on the front page.
17 The consumer disclosures shall be in a form prescribed by the Commissioner
18 and shall include:

19 (1) a description of possible alternatives to a litigation funding contract,
20 including secured or unsecured personal loans, and life insurance policies;
21 (2) notification that some or all of the funded amount may be taxable;

- 1 (3) a description of the consumer's right of rescission;
- 2 (4) the total funded amount provided to the consumer under the contract;
- 3 (5) an itemization of charges;
- 4 (6) the annual percentage rate of return;
- 5 (7) the total amount due from the consumer, including charges, if
repayment is made any time after the funding contract is executed;
- 6 (8) a statement that there are no fees or charges to be paid by the
consumer other than what is disclosed on the disclosure form;
- 7 (9) in the event the consumer seeks more than one litigation funding
contract, a disclosure providing the cumulative amount due from the consumer
for all transactions, including charges under all contracts, if repayment is made
any time after the contracts are executed;
- 8 (10) a statement that the company has no right to make any decisions
regarding the conduct of the legal claim or any settlement or resolution thereof
and that the right to make such decisions remains solely with the consumer and
his or her attorney;
- 9 (11) a statement that, if there is no recovery of any money from the
consumer's legal claim, the consumer shall owe nothing to the company and
that, if the net proceeds of the claim are insufficient to repay the consumer's
indebtedness to the company, then the consumer shall owe the company no
money in excess of the net proceeds; and

1 (12) any other statements or disclosures deemed necessary or
2 appropriate by the Commissioner.

3 (c) Each contract shall include the following provisions:

4 (1) Definitions of the terms “consumer,” “consumer litigation funding,”
5 and “consumer litigation funding company.”

6 (2) A right of rescission, allowing the consumer to cancel the contract
7 without penalty or further obligation if, within five business days following the
8 execution of the contract or the consumer’s receipt of any portion of the funded
9 amount, the consumer gives notice of the rescission to the company and returns
10 any funds provided to the consumer by the company.

11 (3) A provision specifying that, in the event of litigation involving the
12 contract and at the election of the consumer, venue shall lie in the Vermont
13 Superior Court for the county where the consumer resides.

14 (4) An acknowledgment that the consumer is represented by an attorney
15 in the legal claim and has had an opportunity to discuss the contract with his or
16 her attorney.

17 § 2254. PROHIBITED ACTS

18 (a) A consumer litigation funding company shall not engage in any of the
19 following conduct or practices:

20 (1) Pay or offer to pay commissions, referral fees, or any other form of
21 consideration to any attorney, law firm, health care provider, health care

1 facility, or an employee of a law firm, health care provider, or health care
2 facility for referring a consumer to the company.

3 (2) Accept any commissions, referral fees, or any other form of
4 consideration from any attorney, law firm, health care provider, health care
5 facility, or an employee of a law firm, health care provider, or health care
6 facility.

7 (3) Advertise false or misleading information regarding its products or
8 services.

9 (4) Receive any right to nor make any decisions with respect to the
10 conduct of the consumer's legal claim or any settlement or resolution. The
11 right to make such decisions shall remain solely with the consumer and his or
12 her attorney.

13 (5) Knowingly pay or offer to pay for court costs, filing fees, or
14 attorney's fees either during or after the resolution of the legal claim.

15 (6) Refer a consumer to a specific attorney, law firm, health care
16 provider, or health care facility.

17 (7) Fail to provide promptly copies of contract documents to the
18 consumer or to the consumer's attorney.

19 (8) Obtain a waiver of any remedy the consumer might otherwise have
20 against the company.

1 (9) Provide legal advice to the consumer regarding the funding or the
2 underlying legal claim.

3 (10) Assign a contract in whole or in part to a third party. Provided,
4 however, if the company retains responsibility for collecting payment,
5 administering, and otherwise enforcing the consumer litigation funding
6 contract, the prohibition in this subdivision (10) shall not apply to an
7 assignment:

8 (A) to a wholly-owned subsidiary of the company;
9 (B) to an affiliate of the company that is under common control with
10 the company; or
11 (C) granting a security interest under Article 9 of the Uniform
12 Commercial Code or as otherwise permitted by law.

13 (11) Report a consumer to a credit reporting agency if insufficient funds
14 remain from the net proceeds to repay the company.

15 (12) Require binding arbitration in the event of a dispute between the
16 consumer and the company. A consumer has the right to a trial in the event of
17 a contractual dispute.

18 (b) An attorney or law firm retained by a consumer shall not have a
19 financial interest in a company offering litigation funding to the consumer and
20 shall not receive a referral fee or other consideration from such company, its
21 employees, or its affiliates.

1 § 2255. EFFECT OF COMMUNICATION ON PRIVILEGES

2 A communication between a consumer's attorney and the company shall
3 not be discoverable or limit, waive, or abrogate the scope or nature of any
4 statutory or common-law privilege, including the work-product doctrine and
5 the attorney-client privilege.

6 § 2256. EXAMINATIONS; CHARGES

7 For the purpose of protecting consumer interests and determining a
8 company's financial stability and compliance with the requirements of this
9 chapter, the Commissioner may conduct an examination of a company engaged
10 in the business of consumer litigation funding. The company shall reimburse
11 the Department of Financial Regulation all reasonable costs and expenses of
12 such examination. In unusual circumstances and in the interests of justice, the
13 Commissioner may waive reimbursement for the costs and expenses of an
14 examination under this section.

15 § 2257. NATIONWIDE LICENSING SYSTEM; INFORMATION

16 SHARING; CONFIDENTIALITY

17 (a) In furtherance of the Commissioner's duties under this chapter, the
18 Commissioner may participate in the Nationwide Mortgage Licensing System
19 and Registry and may take such action regarding participation in the Registry
20 as the Commissioner deems necessary to carry out the purposes of this section,
21 including:

1 (1) issue rules or orders, or establish procedures, to further participation
2 in the Registry;
3 (2) facilitate and participate in the establishment and implementation of
4 the Registry;
5 (3) establish relationships or contracts with the Registry or other entities
6 designated by the Registry;
7 (4) authorize the Registry to collect and maintain records and to collect
8 and process any fees associated with licensure or registration on behalf of the
9 Commissioner;
10 (5) require persons engaged in activities that require registration under
11 this chapter to use the Registry for applications, renewals, amendments,
12 surrenders, and such other activities as the Commissioner may require and to
13 pay through the Registry all fees provided for under this chapter;
14 (6) authorize the Registry to collect fingerprints on behalf of the
15 Commissioner in order to receive or conduct criminal history background
16 checks, and, in order to reduce the points of contact which the Federal Bureau
17 of Investigation may have to maintain for purposes of this subsection, the
18 Commissioner may use the Registry as a channeling agent for requesting
19 information from and distributing information to the Department of Justice or
20 any other governmental agency; and

1 (7) in order to reduce the points of contact which the Commissioner may
2 have to maintain for purposes of this chapter, use the Registry as a channeling
3 agent for requesting and distributing information to and from any source so
4 directed by the Commissioner.

5 (b) The Commissioner may require persons engaged in activities that
6 require registration under this chapter to submit fingerprints, and the
7 Commissioner may use the services of the Registry to process the fingerprints
8 and to submit the fingerprints to the Federal Bureau of Investigation, the
9 Vermont State Police, or any equivalent state or federal law enforcement
10 agency for the purpose of conducting a criminal history background check.
11 The company shall pay the cost of such criminal history background check,
12 including any charges imposed by the Registry.

13 (c) Persons engaged in activities that require registration pursuant to this
14 chapter shall pay all applicable charges to use the Registry, including such
15 processing charges as the administrator of the Registry shall establish, in
16 addition to the fees required under this chapter.

17 (d) The Registry is not intended to and does not replace or affect the
18 Commissioner's authority to grant, deny, suspend, revoke, or refuse to renew
19 registrations.

20 (e) In order to promote more effective regulation and reduce regulatory
21 burden through supervisory information sharing:

1 (1) The privacy or confidentiality of any information or material
2 provided to the Registry and any privilege arising under federal or state law
3 (including the rules of any federal or state court) with respect to such
4 information or material shall continue to apply to such information or material
5 after the information or material has been disclosed to the Registry. Such
6 information and material may be shared with all state and federal regulatory
7 officials with oversight authority without the loss of privilege or the loss of
8 confidentiality protections provided by federal law or state law.

9 (2) To carry out the purpose of this section, the Commissioner is
10 authorized to enter agreements or sharing arrangements with other
11 governmental agencies, the Conference of State Bank Supervisors, the
12 American Association of Residential Mortgage Regulators, or other
13 associations representing governmental agencies.

14 (3) Information or material that is subject to privilege or confidentiality
15 under subdivision (1) of this subsection shall not be subject to:

16 (A) disclosure under any federal or state law governing the disclosure
17 to the public of information held by an officer or an agency of the federal
18 government or the respective state; or

19 (B) subpoena or discovery or admission into evidence in any private
20 civil action or administrative process unless with respect to any privilege held
21 by the Registry with respect to such information or material the person to

1 whom such information or material pertains waives, in whole or in part, in the
2 discretion of the person, that privilege.

3 (4) This subsection shall not apply with respect to information or
4 material relating to employment history and publicly adjudicated disciplinary
5 and enforcement actions that are included in the Registry for access by the
6 public.

7 (f) In this section, “Nationwide Mortgage Licensing System and Registry”
8 or “the Registry” means a licensing system developed and maintained by the
9 Conference of State Bank Supervisors and the American Association of
10 Residential Mortgage Regulators as defined in 12 U.S.C. § 5102(6), or its
11 successor in interest, or any alternative or replacement licensing system and
12 registry designated by the Commissioner.

13 § 2258. RULES

14 The Commissioner may adopt rules he or she deems necessary for the
15 proper conduct of business and enforcement of this chapter.

16 § 2259. PENALTIES; ENFORCEMENT

17 (a) After notice and opportunity for hearing in accordance with the
18 Administrative Procedures Act, 3 V.S.A. chapter 25, the Commissioner may
19 take action to enforce the provisions of this chapter and may:

20 (1) revoke or suspend a company’s registration;

1 (2) order a company to cease and desist from further consumer litigation

2 funding;

3 (3) impose a penalty of not more than \$1,000.00 for each violation or
4 \$10,000.00 for each violation the Commissioner finds to be willful; and

5 (4) order the company to make restitution to consumers.

6 (b) The powers vested in the Commissioner by this chapter shall be in
7 addition to any other powers of the Commissioner to enforce any penalties,
8 fines, or forfeitures authorized by law.

9 (c) A company's failure to comply with the requirements of this chapter
10 shall constitute an unfair or deceptive act in commerce enforceable under
11 9 V.S.A. chapter 63, the Consumer Protection Act.

12 (d) The powers vested in the Commissioner by this chapter shall be in
13 addition to any other powers or rights of consumers or the Attorney General or
14 others under any other applicable law or rule, including the Vermont
15 Consumer Protection Act and any applicable rules adopted thereunder,
16 provided the Commissioner's determinations concerning the interpretation and
17 administration of the provisions of this chapter and rules adopted thereunder
18 shall carry a presumption of validity.

19 § 2260. ANNUAL REPORTS

20 (a) Annually, on or before April 1, each company registered under this
21 chapter shall file a report with the Commissioner under oath and in the form

1 and manner prescribed by the Commissioner. The report shall include any
2 information the Commissioner requires concerning the company's business
3 and operations during the preceding calendar year within Vermont and, in
4 addition, shall include:

5 (1) the number of contracts entered into;
6 (2) the dollar value of funded amounts to consumers;
7 (3) the dollar value of charges under each contract, itemized and
8 including the annual rate of return;
9 (4) the dollar amount and number of litigation funding transactions in
10 which the realization to the company was as contracted; and
11 (5) the dollar amount and number of litigation funding transactions in
12 which the realization to the company was less than contracted.

13 (b) To assist the general public with more fully understanding the nature of
14 consumer litigation funding in Vermont, the Commissioner shall summarize
15 and analyze relevant data submitted under this section and publish the
16 summary and analysis on a web page maintained by the Department of
17 Financial Regulation, as well as on a web page maintained by the Office of the
18 Attorney General.

19 (c) Annually, beginning on or before October 1, 2017, the Commissioner
20 and Attorney General shall report jointly to the General Assembly on the status
21 of consumer litigation funding in Vermont and make any recommendations

they deem necessary to improve the regulatory framework of consumer litigation funding, including a recommendation on whether Vermont should limit charges imposed under a consumer litigation funding contract.

4 * * * Structured Settlement Agreements * * *

5 Sec. B.1. 9 V.S.A. § 2480ff(b) is amended to read:

(b) Not less than 20 days prior to the scheduled hearing on any application for approval of a transfer of structured settlement payment rights under section 2480dd of this title, the transferee shall file with the Court and serve on all interested parties a notice of the proposed transfer and the application for its authorization, including with such notice:

11 * * *

18 (8) to the best of the transferee's knowledge after making reasonable
19 inquiry to the payee, the structured settlement obligor, and the annuity issuer, a
20 description of the remaining payments owed to the payee under the structured

1 settlement if the court approves the proposed transfer, including the amount
2 and dates or date ranges of the payments owed, provided that:
3 (A) the description may be filed under seal; and
4 (B) if the transferee's knowledge concerning the remaining payments
5 changes after the transferee submits a notice of the proposed transfer, the
6 transferee may provide updated information to the court at the hearing;
7 ~~(8)(9)~~ if available to the transferee after making a good faith request of
8 the payee, the structured settlement obligor and the annuity issuer, the
9 following documents, which shall be filed under seal:
10 (A) a copy of the annuity contract;
11 (B) a copy of any qualified assignment agreement; and
12 (C) a copy of the underlying structured settlement agreement;
13 ~~(9)(10)~~ either a certification from an independent professional advisor
14 establishing that the advisor has given advice to the payee on the financial
15 advisability of the transfer and the other financial options available to the
16 payee or a written request that the Court determine that such advice is
17 unnecessary pursuant to subdivision 2480dd(a)(2) of this title; and
18 ~~(10)(11)~~ notification of the time and place of the hearing and
19 notification of the manner in which and the time by which written responses to
20 the application must be filed, which shall be not less than 15 days after service
21 of the transferee's notice, in order to be considered by the court.

1 * * * Business Registration; Enforcement * * *

2 Sec. C.1. 11 V.S.A. chapter 15 is amended to read:

3 CHAPTER 15. REGISTRATION OF BUSINESS ENTITIES

4 * * *

5 § 1626. FAILURE TO REGISTER; ENFORCING COMPLIANCE

6 Upon the complaint of the secretary of state, a person, copartnership,
7 association, limited liability company or corporation carrying on business in
8 this state contrary to this chapter may be enjoined therefrom by a superior
9 court and fined not more than \$100.00.

10 (a) A person who is not registered with the Secretary of State as required
11 under this chapter, and any successor to the person or assignee of a cause of
12 action arising out of the business of the person, may not maintain an action or
13 proceeding or raise a counterclaim, crossclaim, or affirmative defense in this
14 State until the person, successor, or assignee registers with the Secretary.

15 (b) The failure of a person to register as required under this chapter does
16 not impair the validity of a contract or act of the person or preclude it from
17 defending an action or proceeding in this State.

18 (c) An individual does not waive a limitation on his or her personal liability
19 afforded by other law solely by transacting business in this State without
20 registering with the Secretary of State as required under this chapter.

1 (d) If a person transacts business in this State without registering with the
2 Secretary of State as required under this chapter, the Secretary is its agent for
3 service of process with respect to a right of action arising out of the transaction
4 of business in this State.

5 (e) A person that transacts business in this State without registering with
6 the Secretary of State as required under this chapter shall be liable to the
7 State for:

8 (1) a civil penalty of \$50.00 for each day, not to exceed a total of
9 \$10,000.00 for each year, it transacts business in this State without a
10 registration;

11 (2) an amount equal to the fees due under this chapter during the period
12 it transacted business in this State without a registration; and
13 (3) other penalties imposed by law.

14 (f) The Attorney General may maintain an action in the Civil Division of
15 the Superior Court to collect the penalties imposed in subsection (e) of this
16 section and to restrain a person from transacting business in this State in
17 violation of this chapter.

18 * * *

§ 1637. AUTHORITY TO TERMINATE AND AMEND REGISTRATION

20 (a) The Secretary of State shall have the authority to:

- 1 (1) terminate the registration of a person who, pursuant to an
2 administrative order, court order, or assurance of discontinuance, is not
3 authorized to conduct business in this State; and
4 (2) amend his or her records to reflect the termination of a registration
5 pursuant to subdivision (1) of this section.
6 (b)(1) If the Secretary of State terminates the registration of a person
7 pursuant to this section, the person appoints the Secretary as his or her agent
8 for service of process in any proceeding based on a cause of action that arose
9 during the time the person was authorized to transact, or was transacting
10 without authorization, business in this State.
11 (2) Upon receipt of process, the Secretary of State shall mail a copy of
12 the process to the secretary of the terminated person at its principal office
13 shown in its most recent annual report or in any subsequent communication
14 received from the person stating the current mailing address of its principal
15 office, or, if none is on file, in its application for registration.
16 (c)(1) If an administrative body, court, or other competent person with
17 legal authority reinstates the ability of a terminated person to conduct business
18 in this State, the terminated person may file with the Secretary of State
19 evidence of the reinstated authority and pay to the Secretary a fee of \$25.00 for
20 each year the person is delinquent.

1 (2) Upon receipt of a filing and payment pursuant to subdivision (1) of
2 this subsection, the Secretary shall cancel the termination and prepare a
3 certificate of reinstatement, file the original of the certificate, and serve a copy
4 on the person.

5 Sec. C.2. 11 V.S.A. § 3303 is amended to read:

6 § 3303. EFFECT OF FAILURE TO QUALIFY

7 (a)(1) A foreign limited liability partnership transacting business in this
8 state State may not maintain an action or proceeding or raise a counterclaim,
9 crossclaim, or affirmative defense in this state State unless it has in effect a
10 statement of foreign qualification.

11 (2) The successor to a foreign limited liability partnership that
12 transacted business in this State without a certificate of authority and the
13 assignee of a cause of action arising out of that business may not maintain a
14 proceeding or raise a counterclaim, crossclaim, or affirmative defense based on
15 that cause of action in any court in this State until the foreign limited liability
16 partnership or its successor or assignee obtains a certificate of authority.

17 (b) The failure of a foreign limited liability partnership to have in effect a
18 statement of foreign qualification does not impair the validity of a contract or
19 act of the foreign limited liability partnership or preclude it from defending an
20 action or proceeding in this state State.

1 (c) A limitation on personal liability of a partner is not waived solely by
2 transacting business in this ~~state~~ State without a statement of foreign
3 qualification.

4 (d) If a foreign limited liability partnership transacts business in this ~~state~~
5 State without a statement of foreign qualification, the ~~secretary of state~~
6 Secretary of State is its agent for service of process with respect to a right of
7 action arising out of the transaction of business in this ~~state~~ State.

8 (e) A foreign limited liability partnership that transacts business in this
9 State without a statement of foreign qualification shall be liable to the
10 State for:

11 (1) a civil penalty of \$50.00 for each day, not to exceed a total of
12 \$10,000.00 for each year, it transacts business in this State without a statement
13 of foreign qualification;

14 (2) an amount equal to the fees due under this chapter during the
15 period it transacted business in this State without a statement of foreign
16 qualification; and

17 (3) other penalties imposed by law.

18 Sec. C.3. 11 V.S.A. § 3305 is amended to read:

19 § 3305. ACTION BY ATTORNEY GENERAL

20 The ~~attorney general~~ Attorney General may maintain an action in the Civil
21 Division of the Superior Court to collect the penalties imposed in section 3303

1 of this title and to restrain a foreign limited liability partnership from
2 transacting business in this state State in violation of this subchapter.

3 Sec. C.4. 11 V.S.A. § 3487 is amended to read:

4 **§ 3487. TRANSACTION OF BUSINESS WITHOUT REGISTRATION**

5 (a)(1) A foreign limited partnership transacting business in this state State
6 may not maintain an action or proceeding or raise a counterclaim, crossclaim,
7 or affirmative defense in this state State until it has registered in this state
8 State.

9 (2) The successor to a foreign limited partnership that transacted
10 business in this State without a certificate of authority and the assignee of a
11 cause of action arising out of that business may not maintain a proceeding or
12 raise a counterclaim, crossclaim, or affirmative defense based on that cause of
13 action in any court in this State until the foreign limited partnership or its
14 successor or assignee obtains a certificate of authority.

15 (b) The failure of a foreign limited partnership to register in this state State
16 does not impair the validity of any contract or act of the foreign limited
17 partnership or prevent the foreign limited partnership from defending any
18 action, suit, or proceeding in any court of this state State.

19 (c) A limited partner of a foreign limited partnership is not liable as a
20 general partner of the foreign limited partnership solely by reason of having
21 transacted business in this state State without registration.

1 (d) A foreign limited partnership, by transacting business in this ~~state~~ State
2 without registration, appoints the ~~secretary of state~~ Secretary of State as its
3 agent for service of process with respect to claims for relief and causes of
4 action arising out of the transaction of business in this ~~state~~ State.

5 (e) A foreign limited partnership that transacts business in this State
6 without a registration shall be liable to the State for:

7 (1) a civil penalty of \$50.00 for each day, not to exceed a total of
8 \$10,000.00 for each year, it transacts business in this State without a
9 registration;

10 (2) an amount equal to the fees due under this chapter during the period
11 it transacted business in this State without a registration; and
12 (3) other penalties imposed by law.

13 Sec. C.5. 11 V.S.A. § 3488 is amended to read:

14 § 3488. ACTION BY ATTORNEY GENERAL

15 The ~~attorney general~~ Attorney General may bring an action in the Civil
16 Division of the Superior Court to collect the penalties imposed under section
17 3487 of this title and to restrain a foreign limited partnership from transacting
18 business in this ~~state~~ State in violation of this subchapter.

19 Sec. C.6. 11 V.S.A. § 4119 is amended to read:

20 § 4119. EFFECT OF FAILURE TO OBTAIN CERTIFICATE OF

21 AUTHORITY

1 (a)(1) A foreign limited liability company transacting business in this State
2 may not maintain a proceeding or raise a counterclaim, cross-claim, or
3 affirmative defense in any court in this State until it obtains a certificate of
4 authority to transact business in this State.

5 (2) The successor to a foreign limited liability company that transacted
6 business in this State without a certificate of authority and the assignee of a
7 cause of action arising out of that business may not maintain a proceeding or
8 raise a counterclaim, crossclaim, or affirmative defense based on that cause of
9 action in any court in this State until the foreign limited liability company or its
10 successor or assignee obtains a certificate of authority.

11 (b) The failure of a foreign limited liability company to have a certificate of
12 authority to transact business in this State does not impair the validity of a
13 contract or act of the company or prevent the foreign limited liability company
14 from defending an action or proceeding in this State.

15 (c) A member or manager of a foreign limited liability company is not
16 liable for the debts, obligations, or other liabilities of the company solely
17 because the company transacted business in this State without a certificate of
18 authority.

19 (d) If a foreign limited liability company transacts business in this State
20 without a certificate of authority, it appoints the Secretary of State as its agent

1 for service of process for claims arising out of the transaction of business in
2 this State.

3 (e) A foreign limited liability company that transacts business in this State
4 without a certificate of authority shall be liable to the State for:

5 (1) a civil penalty of \$50.00 for each day, not to exceed a total of
6 \$10,000.00 for each year, it transacts business in this State without a certificate
7 of authority;
8 (2) an amount equal to the fees due under this chapter during the period
9 it transacted business in this State without a certificate of authority; and
10 (3) other penalties imposed by law.

11 Sec. C.7. 11 V.S.A. § 4120 is amended to read:

12 § 4120. ACTION BY ATTORNEY GENERAL

13 The Attorney General may maintain an action in the Civil Division of the
14 Superior Court to collect the penalties imposed under section 4119 of this title
15 and to restrain a foreign limited liability company from transacting business in
16 this State in violation of this chapter.

17 Sec. C.8. 11A V.S.A. § 15.02 is amended to read:

18 § 15.02. CONSEQUENCES OF TRANSACTING BUSINESS WITHOUT
19 AUTHORITY

20 (a) A foreign corporation transacting business in this state State without a
21 certificate of authority may not maintain a proceeding or raise a counterclaim,

1 crossclaim, or affirmative defense in any court in this ~~state~~ State until it obtains
2 a certificate of authority.

3 (b) The successor to a foreign corporation that transacted business in this
4 ~~state~~ State without a certificate of authority and the assignee of a cause of
5 action arising out of that business may not maintain a proceeding or raise a
6 counterclaim, crossclaim, or affirmative defense based on that cause of action
7 in any court in this ~~state~~ State until the foreign corporation or its successor or
8 assignee obtains a certificate of authority.

9 (c) A court may stay a proceeding commenced by a foreign corporation, its
10 successor, or assignee until it determines whether the foreign corporation or its
11 successor requires a certificate of authority. If it so determines, the court may
12 further stay the proceeding until the foreign corporation or its successor obtains
13 the certificate.

14 (d) A foreign corporation that transacts business in this State without a
15 certificate of authority is liable to the ~~state~~ State for:

16 (1) a civil penalty of \$50.00 for each day, ~~but~~ not to exceed a total of
17 \$1,000.00 \$10,000.00 for each year, it transacts business in this ~~state~~ State
18 without a certificate of authority;

19 (2) an amount equal to ~~all the fees that would have been imposed due~~
20 under this ~~chapter title~~ during the ~~years, or parts thereof, period~~ it transacted
21 business in this ~~state~~ State without a certificate of authority; and

1 (3) such other penalties as are imposed by law. The attorney general
2 may collect all penalties due under this subsection.

3 (e) Upon petition of the attorney general The Attorney General may
4 maintain an action in the Civil Division of the Superior Court to collect the
5 penalties imposed in this section and to restrain a foreign corporation not in
6 compliance with this chapter, and its officers and agents, may be enjoined by
7 the courts of this state from doing business within this state State.

8 (f) Notwithstanding subsections (a) and (b) of this section, the failure of a
9 foreign corporation to obtain a certificate of authority does not impair the
10 validity of its corporate acts, to the extent they are otherwise in compliance
11 with law, or prevent it from defending any proceeding in this state State.

12 Sec. C.9. 11B V.S.A. § 15.02 is amended to read:

13 § 15.02. CONSEQUENCES OF TRANSACTING BUSINESS WITHOUT
14 AUTHORITY

15 (a) A foreign corporation transacting business in this state State without a
16 certificate of authority may not maintain a proceeding or raise a counterclaim,
17 crossclaim, or affirmative defense in any court in this state State until it obtains
18 a certificate of authority.

19 (b) The successor to a foreign corporation that transacted business in this
20 state State without a certificate of authority and the assignee of a cause of
21 action arising out of that business may not maintain a proceeding or raise a

1 counterclaim, crossclaim, or affirmative defense based on that cause of action
2 in any court in this state State until the foreign corporation or its successor or
3 assignee obtains a certificate of authority.

4 (c) A court may stay a proceeding commenced by a foreign corporation, its
5 successor, or assignee until it determines whether the foreign corporation or its
6 successor requires a certificate of authority. If it so determines, the court may
7 further stay the proceeding until the foreign corporation or its successor obtains
8 the certificate.

9 (d) ~~A foreign corporation is liable for a civil penalty of \$50.00 for each~~
10 ~~day, but not to exceed a total of \$1,000.00 for each year, it transacts business in~~
11 ~~this state without a certificate of authority, an amount equal to all fees that~~
12 ~~would have been imposed under this chapter during the years, or parts thereof,~~
13 ~~it transacted business in this state without a certificate of authority, and such~~
14 ~~other penalties as are imposed by law. The attorney general may collect all~~
15 ~~penalties due under this subsection.~~

16 A foreign corporation that transacts business in this State without a
17 certificate of authority is liable to the State for:

18 (1) a civil penalty of \$50.00 for each day, not to exceed a total of
19 \$10,000.00 for each year, it transacts business in this State without a certificate
20 of authority;

1 (2) an amount equal to the fees due under this title during the period it
2 transacted business in this State without a certificate of authority; and
3 (3) other penalties imposed by law.
4 (e) The Attorney General may file an action in the Civil Division of
5 Superior Court to collect the penalties due under this subsection and to restrain
6 a foreign corporation not in compliance with this chapter from doing business
7 within this State.
8 (f) Notwithstanding subsections (a) and (b) of this section, the failure of a
9 foreign corporation to obtain a certificate of authority does not impair the
10 validity of its corporate acts or prevent it from defending any proceeding in
11 this state State.
12 Sec. C.10. 11C V.S.A. § 1402 is amended to read:
13 § 1402. APPLICATION FOR CERTIFICATE OF AUTHORITY
14 (a) A foreign enterprise may apply for a certificate of authority by
15 delivering an application to the Secretary of State for filing. The application
16 shall state:
17 (1) the name of the foreign enterprise and, if the name does not comply
18 with section 111 of this title, an alternative name adopted pursuant to section
19 1405 of this title;
20 (2) the name of the state or other jurisdiction under whose law the
21 foreign enterprise is organized;

(3) the street address and, if different, mailing address of the principal office and, if the law of the jurisdiction under which the foreign enterprise is organized requires the foreign enterprise to maintain another office in that

4 jurisdiction, the street address and, if different, mailing address of the required
5 office;

(4) the street address and, if different, mailing address of the foreign enterprise's designated office in this State, and the name of the foreign enterprise's agent for service of process at the designated office; and

9 (5) the name, street address and, if different, mailing address of each of
10 the foreign enterprise's current directors and officers.

11 (b) A foreign enterprise shall deliver with a completed application under
12 subsection (a) of this section a certificate of good standing or existence or a
13 similar record signed by the Secretary of State or other official having custody
14 of the foreign enterprise's publicly filed records in the state or other
15 jurisdiction under whose law the foreign enterprise is organized.

(c) A foreign enterprise may not transact business in this State without a certificate of authority.

18 Sec. C.11. 11C V.S.A. § 1407 is amended to read:

§ 1407. CANCELLATION OF CERTIFICATE OF AUTHORITY; EFFECT

20 OF FAILURE TO HAVE CERTIFICATE

1 (a) To cancel its certificate of authority, a foreign enterprise shall deliver to
2 the Secretary of State for filing a notice of cancellation. The certificate is
3 canceled when the notice becomes effective under section 203 of this title.

4 (b)(1) A foreign enterprise transacting business in this State may not
5 maintain an action or proceeding or raise a counterclaim, crossclaim, or
6 affirmative defense in this State unless it has a certificate of authority.

7 (2) The successor to a foreign enterprise that transacted business in this
8 State without a certificate of authority and the assignee of a cause of action
9 arising out of that business may not maintain a proceeding or raise a
10 counterclaim, crossclaim, or affirmative defense based on that cause of action
11 in any court in this State until the foreign enterprise or its successor or assignee
12 obtains a certificate of authority.

13 (c) The failure of a foreign enterprise to have a certificate of authority does
14 not impair the validity of a contract or act of the foreign enterprise or prevent
15 the foreign enterprise from defending an action or proceeding in this State.

16 (d) A member of a foreign enterprise is not liable for the obligations of the
17 foreign enterprise solely by reason of the foreign enterprise's having transacted
18 business in this State without a certificate of authority.

19 (e) If a foreign enterprise transacts business in this State without a
20 certificate of authority or cancels its certificate, it appoints the Secretary of

1 State as its agent for service of process for an action arising out of the
2 transaction of business in this State.

3 (f) A foreign enterprise that transacts business in this State without a
4 certificate of authority is liable to the State for:

5 (1) a civil penalty of \$50.00 for each day, not to exceed a total of
6 \$10,000.00 for each year, it transacts business in this State without a certificate
7 of authority;

(2) an amount equal to the fees due under this title during the period it
transacted business in this State without a certificate of authority; and

10 (3) other penalties imposed by law.
11 Sec. C.12. 11C V.S.A. § 1408 is amended to read:

§ 1408. ACTION BY ATTORNEY GENERAL

The Attorney General may maintain an action in the Civil Division of the Superior Court to collect the penalties imposed in section 1407 of this title and to restrain a foreign enterprise from transacting business in this State in violation of this article chapter.

17 * * * Anti-Trust Penalties * * *

18 Sec. D.1. 9 V.S.A. § 2458 is amended to read:

19 § 2458. RESTRAINING PROHIBITED ACTS

* * *

8 * * *

9 * * * Discount Membership Programs * * *

10 Sec. E.1. 9 V.S.A. chapter 63, subchapter 1D is amended to read:

11 Subchapter 1D. Third-Party Discount Membership Programs

12 § 2470aa. DEFINITIONS

13 In this subchapter:

14 (1) “Billing information” means any data that enables a seller of a

15 third-party discount membership program to access a consumer's credit or

debit card, bank, or other account, but does not include the consumer's name,

17 e-mail address, telephone number, or mailing address. For credit card and

debit card accounts, billing information includes the full account number, card

19 type, and expiration date, and, if necessary, the security code. For accounts at a

20 financial institution, “billing information” includes the full account number

1 and routing number, and, if necessary, the name of the financial institution
2 holding the account.

3 (2) A “third-party discount membership program” is a program that
4 entitles consumers to receive discounts, rebates, rewards, or similar incentives
5 on the purchase of goods or services or both, in whole or in part, from any
6 third party.

7 § 2470bb. APPLICABILITY

8 (a) A third-party discount membership program is a good or service within
9 the meaning of subsection 2451a(b) of this chapter.

10 (b) This subchapter applies only to persons who are regularly and primarily
11 engaged in trade or commerce in this State in connection with offering or
12 selling third-party discount membership programs.

13 (c) This subchapter shall not apply to an electronic payment system, as
14 defined in section 2480o of this title, or to a financial institution, as defined in
15 8 V.S.A. § 11101(32).

16 § 2470cc. REQUIRED DISCLOSURES; CONSENT

17 (a) No person shall charge or attempt to charge a consumer for a third-party
18 discount membership program, or to renew a third-party discount membership
19 program beyond the term expressly agreed to by the consumer or the term
20 permitted under section 2470ff of this title, whichever is shorter, unless:

1 (1) ~~Before~~ before obtaining the consumer's billing information, the
2 person has clearly and conspicuously disclosed to the consumer all material
3 terms of the transaction, including:

4 (A) a description of the types of goods and services on which a
5 discount is available;:

6 (B) the name of the third-party discount membership program, and
7 the name and address of the seller of the program, and a telephone number,
8 email address, or other contact information the consumer may use to contact
9 the seller with questions concerning the operation of the program;

10 (C) the amount, or a good faith estimate, of the typical discount on
11 each category of goods and services;:

12 (D) the cost of the program, including the amount of any periodic
13 charges, how often such charges are imposed, and the method of payment;:

14 (E) the right to cancel and to terminate the program, which shall be
15 no more restrictive than as required by section 2470ee of this subchapter, and a
16 toll-free telephone number and e-mail address that can be used to cancel the
17 membership;:

18 (F) the maximum length of membership, as described in section
19 2470ff of this subchapter;:

1 (G) in the event that the program is offered on the Internet through a
2 link or referral from another business's website, the fact that the seller is not
3 affiliated with that business;:

4 (H) the fact that periodic notices of the program billings will be
5 e-mailed or mailed to the consumer, as the case may be, consistent with section
6 2470dd of this title; and

7 (2) ~~The~~ the person has received express informed consent for the charge
8 from the consumer whose credit or debit card, bank, or other account will be
9 charged, by:

10 (A) obtaining from the consumer:

11 (i) the consumer's billing information; and
12 (ii) the consumer's name and address and a means to contact the
13 consumer; and

14 (B) requiring the consumer to perform an additional affirmative
15 action, such as clicking on an online confirmation button, checking an online
16 box that indicates the consumer's consent to be charged the amount disclosed,
17 or expressly giving consent over the telephone.

18 (b) (b) A person who sells a third-party discount membership program

19 shall provide the consumer a receipt that includes:

20 (1) confirmation that the consumer purchased a discount membership
21 program;

1 (2) the price paid for the program;
2 (3) the date on which the consumer will first be charged for the
3 program;
4 (4) the frequency of charges for the program; and
5 (5) information concerning the consumer's right to cancel the program
6 and the address and email address to which the consumer may send a notice of
7 cancellation.

8 (c) A person who sells third-party discount membership programs shall
9 retain evidence of a consumer's express informed consent for at least three
10 years after the consent is given.

11 § 2470dd. PERIODIC NOTICES

12 (a) A person who periodically charges a consumer for a third-party
13 discount membership program shall send the consumer a notice of the charge
14 no less frequently than every three months from the date of initial enrollment
15 that clearly and conspicuously discloses:

16 (1) a description of the program;
17 (2) the name of the third-party discount membership program and the
18 name and address of the seller of the program;
19 (3) the cost of the program, including the amount of any periodic
20 charges, how often such charges are imposed, and the method of payment;

1 (4) the right to cancel and to terminate the program, which shall be no
2 more restrictive than as required by section 2470ee of this subchapter, and a
3 toll-free number and e-mail address that can be used to cancel the
4 membership; and

5 (5) the maximum length of membership, as described in section 2470ff
6 of this subchapter.

7 (b) The notice specified in subsection (a) of this section:

8 (1) ~~Shall~~ shall be sent:

9 (A) ~~To~~ to the consumer’s last known e-mail address, if the consumer
10 enrolled in the third-party discount membership program online or by e-mail,
11 with the subject line, “IMPORTANT INFORMATION ABOUT YOUR
12 DISCOUNT PROGRAM BILLING,” or substantially similar words, provided
13 that the sender takes reasonable steps to verify that the e-mail has been
14 opened; or

15 (B) ~~Otherwise~~ otherwise by first-class mail to the consumer’s last
16 known mailing address, with the heading on the enclosure and outside
17 envelope, “IMPORTANT INFORMATION ABOUT YOUR DISCOUNT
18 PROGRAM BILLING,” or substantially similar words; and

19 (2) ~~Shall~~ shall not include any solicitation or advertising.

20 § 2470ee. CANCELLATION AND TERMINATION

1 (a) In addition to any other right to revoke an offer, a consumer may cancel
2 the purchase of a third-party discount membership program until midnight on
3 the 30th day after the date the consumer has given express informed consent to
4 be charged for the program. If the consumer cancels within the 30-day period,
5 the seller of the third-party discount membership program shall, within 10 days
6 of receiving the notice of cancellation, provide a full refund to the consumer.

7 (b) Notice of cancellation shall be deemed given when deposited in a
8 mailbox properly addressed and postage prepaid or when e-mailed to the
9 e-mail address of the seller of the third-party discount membership program.

10 (c) In addition to the right to cancel described in this subchapter, a
11 consumer may terminate a third-party discount membership program at any
12 time by providing notice to the seller by one of the methods described in this
13 section. In that case, the consumer shall not be obligated to make any further
14 payments under the program and shall not be entitled to any discounts under
15 the program for any period of time after the last month for which payment has
16 been made.

17 (d) If the seller of a third-party discount membership program cancels the
18 program for any reason other than nonpayment by the consumer, the seller
19 shall make pro rata reimbursement to the consumer of all periodic charges paid
20 by the consumer for periods of time after cancellation. Prior to such

1 cancellation, the seller shall first provide reasonable notice and an explanation
2 of the cancellation in writing to the consumer.

3 § 2470ff. MAXIMUM LENGTH OF PLAN

4 No person shall sell, or offer for sale, a third-party discount membership
5 program lasting longer than 18 months.

6 § 2470gg. BILLING INFORMATION

7 No person who offers or sells third-party discount membership programs
8 shall obtain billing information relating to a consumer except directly from the
9 consumer.

10 § 2470hh. VIOLATIONS

11 (a) A person who violates this subchapter commits an unfair and deceptive
12 act in trade and commerce in violation of section 2453 of this title.

13 (b) The Attorney General has the same authority to make rules, conduct
14 civil investigations, enter into assurances of discontinuance, and bring civil
15 actions as is provided under subchapter 1 of this chapter.

16 (c) It is an unfair and deceptive act and practice in commerce for any
17 person to provide substantial assistance to the seller of a third-party discount
18 membership program that has engaged or is engaging in an unfair or deceptive
19 act or practice in commerce, when the person or the person's authorized agent:

1 (1) receives notice from a regulatory, law enforcement, or similar
2 governmental authority that the seller of the third-party discount membership
3 program is in violation of this subchapter;
4 (2) knows from information received or in its possession that the seller
5 of the third-party discount membership program is in violation of this
6 subchapter; or
7 (3) consciously avoids knowing that the seller of the third-party discount
8 membership program is in violation of this subchapter.
9 (d) Subject to section 2452 of this title, a person who provides only
10 incidental assistance, which does not further the sale of a third-party discount
11 membership program, to the seller of the program, or who does not receive a
12 benefit from providing assistance to the seller of a discount membership, shall
13 not be liable under this section unless the person receives notice, knows, or
14 consciously avoids knowing, pursuant to subdivision (c)(1), (2), or (3) of this
15 section, that a third-party discount membership program is in violation of this
16 chapter.

17 Sec. E.2. 9 V.S.A. chapter 63, subchapter 1E is added to read:

18 Subchapter 1E: Add-On Discount Membership Programs

19 § 2470ii. DEFINITIONS

20 In this subchapter:

1 (1) “Billing information” means any data that enables a seller of an
2 add-on discount membership program to access a consumer’s credit or debit
3 card, bank, or other account, but does not include the consumer’s name, e-mail
4 address, telephone number, or mailing address. For credit card and debit card
5 accounts, billing information includes the full account number, card type, and
6 expiration date, and, if necessary, the security code. For accounts at a financial
7 institution, “billing information” includes the full account number and routing
8 number, and, if necessary, the name of the financial institution holding the
9 account.

10 (2) An “add-on discount membership program” is a program that
11 entitles consumers to receive discounts, rebates, rewards, or similar incentives
12 on the purchase of goods or services or both, sold to a consumer during the
13 purchase of a different good or service using the same billing information.

14 § 2470jj. APPLICABILITY

15 (a) An add-on discount membership program is a good or service within
16 the meaning of subsection 2451a(b) of this title.

17 (b) This subchapter applies only to persons who are regularly engaged in
18 offering or selling add-on discount membership programs.

19 (c) This subchapter shall not apply to an electronic payment system, as
20 defined in section 2480o of this title, or to a financial institution, as defined in
21 8 V.S.A. § 11101(32).

1 § 2470kk. REQUIRED DISCLOSURES; CONSENT

2 (a) No person shall charge or attempt to charge a consumer for an add-on
3 discount membership program, or to renew an add-on discount membership
4 program beyond the term expressly agreed to by the consumer, unless:

5 (1) before obtaining the consumer's billing information, the person has
6 clearly and conspicuously disclosed to the consumer all material terms of the
7 transaction, including:

8 (A) a description of the types of goods and services on which a
9 discount is available;

10 (B) the name of the add-on discount membership program, the name
11 and address of the seller of the program, and a telephone number, email
12 address, or other contact information the consumer may use to contact the
13 seller with questions concerning the operation of the program;

14 (C) the cost of the program, including the amount of any periodic
15 charges, how often such charges are imposed, and the method of payment;

16 (D) the right to cancel and to terminate the program, which shall be
17 no more restrictive than as required by section 2470ll of this title, and a
18 toll-free telephone number and e-mail address that can be used to cancel the
19 membership;

20 (2) before obtaining the consumer's billing information, the person has
21 received express informed consent for the add-on membership program from

1 the consumer whose credit or debit card, bank, or other account will be
2 charged, by requiring the consumer to perform an additional affirmative action,
3 such as clicking on an online confirmation button, checking an online box that
4 indicates the consumer's consent to be charged the amount disclosed, or
5 expressly giving consent over the telephone; and
6 (3) after providing the disclosures and obtaining the consent required by
7 subdivisions (1) and (2) of this subsection, obtaining from the consumer:
8 (A) the consumer's billing information; and
9 (B) the consumer's name and address, and a means to contact the
10 consumer.

11 **(b) A person who sells an add-on discount membership program shall**
12 **provide the consumer a receipt that includes:**
13 **(1) confirmation that the consumer purchased a discount membership**
14 **program;**
15 **(2) the price paid for the program;**
16 **(3) the date on which the consumer will first be charged for the**
17 **program;**
18 **(4) the frequency of charges for the program; and**
19 **(5) information concerning the consumer's right to cancel the program**
20 **and the address and email address to which the consumer may send a notice of**
21 **cancellation.**

1 (c) A person who sells an add-on discount membership program shall
2 retain evidence of a consumer's express informed consent for at least three
3 years after the consent is given.

4 § 2470ll. CANCELLATION AND TERMINATION

5 (a) In addition to any other right to revoke an offer, a consumer may cancel
6 the purchase of an add-on discount membership program until midnight on the
7 30th day after the date the consumer has given express informed consent to be
8 charged for the program. If the consumer cancels within the 30-day period, the
9 seller of the add-on discount membership program shall, within 10 days of
10 receiving the notice of cancellation, provide a full refund to the consumer less
11 the value of any discount the consumer has received by using the add-on
12 discount membership program.

13 (b) Notice of cancellation shall be deemed given when deposited in a
14 mailbox properly addressed and postage prepaid or when e-mailed to the
15 e-mail address of the seller of the add-on discount membership program.

16 (c) In addition to the right to cancel described in this subchapter, a
17 consumer may terminate an add-on discount membership program at any time
18 by providing notice to the seller by one of the methods described in this
19 section. In that case, the consumer shall not be obligated to make any further
20 payments under the program and shall not be entitled to any discounts under

1 the program for any period of time after the last month for which payment has
2 been made.

3 (d) If the seller of an add-on discount membership program cancels the
4 program for any reason other than nonpayment by the consumer, the seller
5 shall make pro rata reimbursement to the consumer of all periodic charges paid
6 by the consumer for periods of time after cancellation. Prior to such
7 cancellation, the seller shall first provide reasonable notice and an explanation
8 of the cancellation in writing to the consumer.

9 § 2470mm. BILLING INFORMATION

10 A person who offers or sells a discount membership program may not
11 obtain billing information relating to a consumer except directly from the
12 consumer.

13 § 2470nn. VIOLATIONS

14 (a) A person who violates this subchapter commits an unfair and deceptive
15 act in trade and commerce in violation of section 2453 of this title.

16 (b) The Attorney General has the same authority to make rules, conduct
17 civil investigations, enter into assurances of discontinuance, and bring civil
18 actions as is provided under subchapter 1 of this chapter.

19 (c) It is an unfair and deceptive act and practice in commerce for any
20 person to provide substantial assistance to the seller of an add-on discount

1 membership program that has engaged or is engaging in an unfair or deceptive
2 act or practice in commerce, when the person or the person's authorized agent:

3 (1) receives notice from a regulatory, law enforcement, or similar
4 governmental authority that the seller of the add-on discount membership
5 program is in violation of this subchapter;

6 (2) knows from information received or in its possession that the seller
7 of the add-on discount membership program is in violation of this
8 subchapter; or

9 (3) consciously avoids knowing that the seller of the add-on discount
10 membership program is in violation of this subchapter.

11 (d) Subject to section 2452 of this title, a person who provides only
12 incidental assistance, which does not further the sale of an add-on discount
13 membership program, to the seller of the program, or who does not receive a
14 benefit from providing assistance to the seller of a an add-on discount
15 membership, shall not be liable under this section unless the person receives
16 notice, knows, or consciously avoids knowing, pursuant to subdivision (c)(1),
17 (2), or (3) of this section, that an add-on discount membership program is in
18 violation of this chapter.

19 * * * Nonresidential Home Improvement Fraud * * *

20 Sec. F.1. 13 V.S.A. § 2029 is amended to read:

21 § 2029. HOME IMPROVEMENT FRAUD

1 (a) As used in this section, “home improvement” includes the fixing,
2 replacing, remodeling, removing, renovation, alteration, conversion,
3 improvement, demolition, or rehabilitation of or addition to any building or
4 land, or any portion thereof, which is used or designed to be used as a
5 residence or dwelling unit. Home improvement shall include the construction,
6 replacement, installation, paving, or improvement of driveways, roofs, and
7 sidewalks, and the limbing, pruning, and removal of trees or shrubbery and
8 other improvements to structures or upon land that is adjacent to a dwelling
9 house.

10 (b)(1) A person commits the offense of home improvement fraud when he
11 or she enters into a contract or agreement, written or oral, for \$500.00 or more,
12 with an owner for home improvement, or into several contracts or agreements
13 for \$2,500.00 or more in the aggregate, with more than one owner for home
14 improvement, and he or she knowingly:

15 (A) fails to perform the contract or agreement, in whole or in
16 part; and

17 (B) when the owner requests performance or a refund of payment
18 made, the person fails to either:

19 (i) refund the payment; or

20 (ii) make and comply with a definite plan for completion of the
21 work that is agreed to by the owner;

- 1 (2) misrepresents a material fact relating to the terms of the contract or
2 agreement or to the condition of any portion of the property involved;
- 3 (3) uses or employs any unfair or deceptive act or practice in order to
4 induce, encourage, or solicit such person to enter into any contract or
5 agreement or to modify the terms of the original contract or agreement; or
6 (4) when there is a declared state of emergency, charges for goods or
7 services related to the emergency a price that exceeds two times the average
8 price for the goods or services and the increase is not attributable to the
9 additional costs incurred in connection with providing those goods or services.
- 10 (c) Whenever a person is convicted of home improvement fraud or of
11 fraudulent acts related to home improvement:
12 (1) the person shall notify the Office of Attorney General;
13 (2) the court shall notify the Office of the Attorney General; and
14 (3) the Office of Attorney General shall place the person's name on the
15 Home Improvement and Nonresidential Improvement Fraud Registry.
- 16 (d)(1) A person who violates subsection (b) of this section shall be
17 imprisoned not more than two years or fined not more than \$1,000.00, or both,
18 if the loss to a single consumer is less than \$1,000.00.
19 (2) A person who is convicted of a second or subsequent violation of
20 subdivision (1) of this subsection shall be imprisoned not more than three years
21 or fined not more than \$5,000.00, or both.

1 (3) A person who violates subsection (b) of this section shall be
2 imprisoned not more than three years or fined not more than \$5,000.00, or
3 both, if:

4 (A) the loss to a single consumer is \$1,000.00 or more; or
5 (B) the loss to more than one consumer is \$2,500.00 or more in the
6 aggregate.

7 (4) A person who is convicted of a second or subsequent violation of
8 subdivision (3) of this subsection shall be imprisoned not more than five years
9 or fined not more than \$10,000.00, or both.

10 (5) A person who violates subsection (c) or (e) of this section shall be
11 imprisoned for not more than two years or fined not more than \$1,000.00,
12 or both.

13 (e) A person who is sentenced pursuant to subdivision (d)(2), (3), or (4) of
14 this section, subdivision of 2029a(d)(2), (3), or (4) of this title, or convicted of
15 fraudulent acts related to home improvement, may engage in home
16 improvement activities for compensation only if:

17 (1) the work is for a company or individual engaged in home
18 improvement activities or nonresidential improvement activities, and the
19 person first notifies the company or individual of the conviction and notifies
20 the Office of Attorney General of the person's current address and telephone
21 number; the name, address, and telephone number of the company or

1 individual for whom the person is going to work; and the date on which the
2 person will start working for the company or individual; or

3 (2) the person notifies the Office of Attorney General of the intent to
4 engage in home improvement activities or nonresidential improvement
5 activities, and that the person has filed a surety bond or an irrevocable letter of
6 credit with the Office in an amount of not less than \$50,000.00, and pays on a
7 regular basis all fees associated with maintaining such bond or letter of credit.

8 (f) The Office of Attorney General shall release the letter of credit at such
9 time when:

10 (1) any claims against the person relating to home improvement fraud or
11 nonresidential improvement fraud have been paid;

12 (2) there are no pending actions or claims against the person for home
13 improvement fraud or nonresidential improvement fraud; and

14 (3) the person has not been engaged in home improvement activities or
15 nonresidential improvement activities for at least six years and has signed an
16 affidavit so attesting.

17 (g) [Reserved.]

18 (h) [Repealed.]

19 Sec. F.2. 13 V.S.A. § 2029a is added to read:

20 § 2029a. NONRESIDENTIAL IMPROVEMENT FRAUD

1 (a) As used in this section, “nonresidential improvement” includes the
2 fixing, replacing, remodeling, removing, renovation, alteration, conversion,
3 improvement, demolition, or rehabilitation of or addition to any building or
4 land, or any portion thereof, which is used or designed to be used as a business,
5 office, or by the State, a county, or a municipality. Nonresidential
6 improvement shall include the construction, replacement, installation, paving,
7 or improvement of driveways, parking lots, signs, roofs, and sidewalks, and the
8 limbing, pruning, and removal of trees or shrubbery and other improvements to
9 structures or upon land that is adjacent to a business, office, or municipal
10 building or unit.

11 (b)(1) A person commits the offense of nonresidential improvement fraud
12 when he or she enters into a contract or agreement, written or oral, for
13 \$1,000.00 or more, with an owner for nonresidential improvement, or into
14 several contracts or agreements for \$5,000.00 or more in the aggregate, with
15 more than one owner for nonresidential improvement, and he or she
16 knowingly:

17 (A) fails to perform the contract or agreement, in whole or in
18 part; and

19 (B) when the owner requests performance or a refund of payment
20 made, the person fails to either:

21 (i) refund the payment; or

1 (ii) make and comply with a definite plan for completion of the
2 work that is agreed to by the owner;

3 (2) misrepresents a material fact relating to the terms of the contract or
4 agreement or to the condition of any portion of the property involved;

5 (3) uses or employs any unfair or deceptive act or practice in order to
6 induce, encourage, or solicit such person to enter into any contract or
7 agreement or to modify the terms of the original contract or agreement; or
8 (4) when there is a declared state of emergency, charges for goods or
9 services related to the emergency a price that exceeds two times the average
10 price for the goods or services and the increase is not attributable to the
11 additional costs incurred in connection with providing those goods or services.

12 (c) Whenever a person is convicted of nonresidential improvement fraud:

13 (1) the person shall notify the Office of Attorney General;
14 (2) the court shall notify the Office of the Attorney General; and
15 (3) the Office of Attorney General shall place the person's name on the

16 Home Improvement and Nonresidential Improvement Fraud Registry.

17 (d)(1) A person who violates subsection (b) of this section shall be
18 imprisoned not more than two years or fined not more than \$1,000.00, or both,
19 if the loss to a single consumer is less than \$1,000.00.

1 (2) A person who is convicted of a second or subsequent violation of
2 subdivision (1) of this subsection shall be imprisoned not more than three years
3 or fined not more than \$5,000.00, or both.

4 (3) A person who violates subsection (b) of this section shall be
5 imprisoned not more than three years or fined not more than \$5,000.00, or
6 both, if:

7 (A) the loss to a single consumer is \$1,000.00 or more; or
8 (B) the loss to more than one consumer is \$2,500.00 or more in the
9 aggregate.

10 (4) A person who is convicted of a second or subsequent violation of
11 subdivision (3) of this subsection shall be imprisoned not more than five years
12 or fined not more than \$10,000.00, or both.

13 (5) A person who violates subsection (c) ~~or (e)~~ of this section shall be
14 imprisoned for not more than two years or fined not more than \$1,000.00,
15 or both.

16 (e) A person who is sentenced pursuant to subdivision (d)(2), (3), or (4) of
17 this section, subdivision 2029(d)(2), (3), or (4) of this title, ~~or convicted of~~
18 fraudulent acts related to nonresidential improvement, may engage in home
19 improvement activities or nonresidential improvement activities for
20 compensation only if:

1 (1) the work is for a company or individual engaged in home
2 improvement activities or nonresidential improvement activities, and the
3 person first notifies the company or individual of the conviction and notifies
4 the Office of Attorney General of the person's current address and telephone
5 number; the name, address, and telephone number of the company or
6 individual for whom the person is going to work; and the date on which the
7 person will start working for the company or individual; or

8 (2) the person notifies the Office of Attorney General of the intent to
9 engage in home improvement activities or nonresidential improvement
10 activities, and that the person has filed a surety bond or an irrevocable letter of
11 credit with the Office in an amount of not less than \$50,000.00, and pays on a
12 regular basis all fees associated with maintaining such bond or letter of credit.

13 (f) The Office of Attorney General shall release the letter of credit at such
14 time when:

15 (1) any claims against the person relating to home improvement fraud or
16 nonresidential improvement fraud have been paid;

17 (2) there are no pending actions or claims against the person for home
18 improvement fraud or nonresidential improvement fraud; and

19 (3) the person has not been engaged in home improvement activities or
20 nonresidential improvement activities for at least six years and has signed an
21 affidavit so attesting.

1 * * * Financial Institutions; Licensed Lender; Technical Corrections * * *

2 G.1. 8 V.S.A. § 10101 is amended to read:

3 § 10101. APPLICATION OF CONSUMER PROTECTION CHAPTER

4 Except as otherwise provided in this chapter, the provisions of this chapter
5 shall apply to all financial institutions, as defined in subdivision 11101(32) of
6 this title, licensed lenders, mortgage brokers, mortgage loan originators, sales
7 finance companies, independent trust companies, money service providers,
8 debt adjusters, loan servicers, credit unions, and any other person doing or
9 soliciting business in this State as described in Part 2, 4, or 5,~~or 6~~ of this title,
10 in addition to any other applicable consumer protection or remedy section not
11 contained in this chapter, unless such consumer protection or remedy section is
12 expressly made exclusive.

13 G.2. 8 V.S.A. § 10601 is amended to read:

14 § 10601. APPLICATION

15 This subchapter shall apply to all persons licensed, authorized, or registered,
16 or required to be licensed, authorized, or registered under Parts 2, 4, and 5,~~and~~
17 6 of this title.

18 G.3. 8 V.S.A. 2200(17) is amended to read:

19 (17) "Mortgage loan originator":

20 * * *

21 (D) Does not include:

(i) an individual engaged solely as a loan processor or underwriter,
except as otherwise provided in subsection 2201(f)(g) of this chapter;

* * *

4 * * * Effective Dates * * *

5 Sec. X.1. EFFECTIVE DATES

(a) This section and Secs. G.1–G.3 (technical corrections) take effect on passage.

8 (b) The following sections take effect on July 1, 2016:

10 (2) Sec. B.1 (structured settlements agreements).

11 (3) Secs. C.1–C.12 (business registration; enforcement).

12 (4) Sec. D.1 (anti-trust penalties).

13 (5) Secs. E.1–E.2 (discount membership programs).

14 (6) Secs. F.1–F.2 (nonresidential home improvement fraud).