

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Commerce & Economic Development to which was  
3 referred House Bill No. 84 entitled “An act relating to internet dating services”  
4 respectfully reports that it has considered the same and recommends that the  
5 House propose to the Senate to further amend the bill by striking out all after  
6 the enacting clause and inserting in lieu thereof the following:

7 \* \* \* Consumer Litigation Funding \* \* \*

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

9 CHAPTER 74. CONSUMER LITIGATION FUNDING COMPANIES

10 § 2251. DEFINITIONS

11 As used in this chapter:

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

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

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

19 (A) the claim is in Vermont; or

20 (B) the person resides or is domiciled in Vermont, or both.

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

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

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

14           (7) “Health care facility” has the same meaning as in 18 V.S.A.  
15           § 9402(6).

16           (8) “Health care provider” has the same meaning as in 18 V.S.A.  
17           § 9402(7).

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

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

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

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

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

11                    (iv) liens for workers’ compensation benefits paid to the  
12           consumer.

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

17           § 2252. REGISTRATION; FEE; FINANCIAL STABILITY

18                    (a) A company shall not engage in the business of consumer litigation  
19           funding without first filing a registration with the Commissioner on a form  
20           prescribed by the Commissioner and submitting a registration fee and proof of  
21           financial stability, as required by this section.

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

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

9       § 2253. CONTRACTS; DISCLOSURES AND REQUIREMENTS

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

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

17               (1) a description of possible alternatives to a litigation funding contract,  
18       including secured or unsecured personal loans, and life insurance policies;

19               (2) notification that some or all of the funded amount may be taxable;

20               (3) a description of the consumer's right of rescission;

21               (4) the total funded amount provided to the consumer under the contract;

1           (5) an itemization of charges;

2           (6) the annual percentage rate of return;

3           (7) the total amount due from the consumer, including charges, if  
4 repayment is made any time after the funding contract is executed;

5           (8) a statement that there are no fees or charges to be paid by the  
6 consumer other than what is disclosed on the disclosure form;

7           (9) in the event the consumer seeks more than one litigation funding  
8 contract, a disclosure providing the cumulative amount due from the consumer  
9 for all transactions, including charges under all contracts, if repayment is made  
10 any time after the contracts are executed;

11           (10) a statement that the company has no right to make any decisions  
12 regarding the conduct of the legal claim or any settlement or resolution thereof  
13 and that the right to make such decisions remains solely with the consumer and  
14 his or her attorney;

15           (11) a statement that, if there is no recovery of any money from the  
16 consumer's legal claim, the consumer shall owe nothing to the company and  
17 that, if the net proceeds of the claim are insufficient to repay the consumer's  
18 indebtedness to the company, then the consumer shall owe the company no  
19 money in excess of the net proceeds; and

20           (12) any other statements or disclosures deemed necessary or  
21 appropriate by the Commissioner.

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

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

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

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

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

15           § 2254. PROHIBITED ACTS

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

18                   (1) Pay or offer to pay commissions, referral fees, or any other form of  
19 consideration to any attorney, law firm, health care provider, health care  
20 facility, or an employee of a law firm, health care provider, or health care  
21 facility for referring a consumer to the company.

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

5           (3) Advertise false or misleading information regarding its products or  
6           services.

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

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

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

15          (7) Fail to provide promptly copies of contract documents to the  
16          consumer or to the consumer’s attorney.

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

19          (9) Provide legal advice to the consumer regarding the funding or the  
20          underlying legal claim.

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

6                   (A) to a wholly-owned subsidiary of the company;

7                   (B) to an affiliate of the company that is under common control with  
8           the company; or

9                   (C) granting a security interest under Article 9 of the Uniform  
10           Commercial Code or as otherwise permitted by law.

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

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

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

20           § 2255. EFFECT OF COMMUNICATION ON PRIVILEGES

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

5        § 2256. EXAMINATIONS; CHARGES

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

14       § 2257. NATIONWIDE LICENSING SYSTEM; INFORMATION

15                SHARING; CONFIDENTIALITY

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

1 they deem necessary to improve the regulatory framework of consumer  
2 litigation funding, including a recommendation on whether Vermont should  
3 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:

6 (b) Not less than 20 days prior to the scheduled hearing on any application  
7 for approval of a transfer of structured settlement payment rights under section  
8 2480dd of this title, the transferee shall file with the Court and serve on all  
9 interested parties a notice of the proposed transfer and the application for its  
10 authorization, including with such notice:

11 \* \* \*

12 (7) a statement setting forth whether, to the best of the transferee's  
13 knowledge after making a reasonable inquiry to the payee, the structured  
14 settlement obligor, and the annuity issuer, there have been any previous  
15 transfers or applications for transfer of any structured settlement payment  
16 rights of the payee and giving details of all such transfers or applications for  
17 transfer;

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. PURPOSE

3           (a) The purpose of 11 V.S.A. § 1637, as added in Sec. C. 2 of this act, is to  
4           protect consumers by ensuring that they have adequate public notice in the  
5           records of the Secretary of State when a person is no longer allowed to conduct  
6           business in this State.

7           (b) The purpose of Secs. C.3–C.14 is to standardize among the statutes  
8           governing business organizations authorized to conduct business in this State:

9                   (1) the duty of a person to register with the Secretary of State; and

10                   (2) the enforcement and penalties for failure register.

11           Sec. C.2. 11 V.S.A. § 1637 is added to read:

12           § 1637. AUTHORITY TO TERMINATE AND AMEND REGISTRATION

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

14                   (1) terminate the registration of a person who, pursuant to a final court  
15                   order or an assurance of discontinuance, is not authorized to conduct business  
16                   in this State; and

17                   (2) amend his or her records to reflect the termination of a registration  
18                   pursuant to subdivision (1) of this section.

19                   (b)(1) If the Secretary of State terminates the registration of a person  
20                   pursuant to this section, the person appoints the Secretary as his or her agent  
21                   for service of process in any proceeding based on a cause of action that arose

1 during the time the person was authorized to transact, or was transacting  
2 without authorization, business in this State.

3 (2) Upon receipt of process, the Secretary of State shall mail a copy of  
4 the process to the secretary of the terminated person at its principal office  
5 shown in its most recent annual report or in any subsequent communication  
6 received from the person stating the current mailing address of its principal  
7 office, or, if none is on file, in its application for registration.

8 (c)(1) If a court or other person with sufficient legal authority reinstates the  
9 ability of a terminated person to conduct business in this State, the terminated  
10 person may file with the Secretary of State evidence of the reinstated authority  
11 and pay to the Secretary a fee of \$25.00 for each year the person is delinquent.

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

16 Sec. C.3. 11 V.S.A. § 1626 is amended to read:

17 CHAPTER 15. REGISTRATION OF BUSINESS ENTITIES

18 \* \* \*

19 § 1626. FAILURE TO REGISTER; ENFORCING COMPLIANCE

20 ~~Upon the complaint of the secretary of state, a person, copartnership,~~  
21 ~~association, limited liability company or corporation carrying on business in~~

1 ~~this state contrary to this chapter may be enjoined therefrom by a superior~~  
2 ~~court and fined not more than \$100.00.~~

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

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

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

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

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

1           (1) a civil penalty of \$50.00 for each day, not to exceed a total of  
2           \$10,000.00 for each year, it transacts business in this State without a  
3           registration;

4           (2) an amount equal to the fees due under this chapter during the period  
5           it transacted business in this State without a registration; and

6           (3) other penalties imposed by law.

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

11       Sec. C.4. 11 V.S.A. § 3303 is amended to read:

12       § 3303. EFFECT OF FAILURE TO QUALIFY

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

17           (2) The successor to a foreign limited liability partnership that  
18       transacted business in this State without a certificate of authority and the  
19       assignee of a cause of action arising out of that business may not maintain a  
20       proceeding or raise a counterclaim, crossclaim, or affirmative defense based on

1 that cause of action in any court in this State until the foreign limited liability  
2 partnership or its successor or assignee obtains a certificate of authority.

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

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

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

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

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

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

4           (3) other penalties imposed by law.

5           Sec. C.5. 11 V.S.A. § 3305 is amended to read:

6           § 3305. ACTION BY ATTORNEY GENERAL

7           The ~~attorney general~~ Attorney General may maintain an action in the Civil  
8           Division of the Superior Court to collect the penalties imposed in section 3303  
9           of this title and to restrain a foreign limited liability partnership from  
10           transacting business in this ~~state~~ State in violation of this subchapter.

11           Sec. C.6. 11 V.S.A. § 3487 is amended to read:

12           § 3487. TRANSACTION OF BUSINESS WITHOUT REGISTRATION

13           (a)(1) A foreign limited partnership transacting business in this ~~state~~ State  
14           may not maintain an action or proceeding or raise a counterclaim, crossclaim,  
15           or affirmative defense in this state State until it has registered in this ~~state~~  
16           State.

17           (2) The successor to a foreign limited partnership that transacted  
18           business in this State without a certificate of authority and the assignee of a  
19           cause of action arising out of that business may not maintain a proceeding or  
20           raise a counterclaim, crossclaim, or affirmative defense based on that cause of

1 action in any court in this State until the foreign limited partnership or its  
2 successor or assignee obtains a certificate of authority.

3 (b) The failure of a foreign limited partnership to register in this ~~state~~ State  
4 does not impair the validity of any contract or act of the foreign limited  
5 partnership or prevent the foreign limited partnership from defending any  
6 action, suit, or proceeding in any court of this ~~state~~ State.

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

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

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

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

19 (2) an amount equal to the fees due under this chapter during the period  
20 it transacted business in this State without a registration; and

21 (3) other penalties imposed by law.

1 Sec. C.7. 11 V.S.A. § 3488 is amended to read:

2 § 3488. ACTION BY ATTORNEY GENERAL

3 The ~~attorney general~~ Attorney General may bring an action in the Civil  
4 Division of the Superior Court to collect the penalties imposed under section  
5 3487 of this title and to restrain a foreign limited partnership from transacting  
6 business in this ~~state~~ State in violation of this subchapter.

7 Sec. C.8. 11 V.S.A. § 4119 is amended to read:

8 § 4119. EFFECT OF FAILURE TO OBTAIN CERTIFICATE OF  
9 AUTHORITY

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

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

20 (b) The failure of a foreign limited liability company to have a certificate of  
21 authority to transact business in this State does not impair the validity of a

1 contract or act of the company or prevent the foreign limited liability company  
2 from defending an action or proceeding in this State.

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

7 (d) If a foreign limited liability company transacts business in this State  
8 without a certificate of authority, it appoints the Secretary of State as its agent  
9 for service of process for claims arising out of the transaction of business in  
10 this State.

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

13 (1) a civil penalty of \$50.00 for each day, not to exceed a total of  
14 \$10,000.00 for each year, it transacts business in this State without a certificate  
15 of authority;

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

18 (3) other penalties imposed by law.

1 Sec. C.9. 11 V.S.A. § 4120 is amended to read:

2 § 4120. ACTION BY ATTORNEY GENERAL

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

7 Sec. C.10. 11A V.S.A. § 15.02 is amended to read:

8 § 15.02. CONSEQUENCES OF TRANSACTING BUSINESS WITHOUT  
9 AUTHORITY

10 (a) A foreign corporation transacting business in this ~~state~~ State without a  
11 certificate of authority may not maintain a proceeding or raise a counterclaim,  
12 crossclaim<sub>2</sub> or affirmative defense in any court in this ~~state~~ State until it obtains  
13 a certificate of authority.

14 (b) The successor to a foreign corporation that transacted business in this  
15 ~~state~~ State without a certificate of authority and the assignee of a cause of  
16 action arising out of that business may not maintain a proceeding or raise a  
17 counterclaim, crossclaim<sub>2</sub> or affirmative defense based on that cause of action  
18 in any court in this ~~state~~ State until the foreign corporation or its successor or  
19 assignee obtains a certificate of authority.

20 (c) A court may stay a proceeding commenced by a foreign corporation, its  
21 successor, or assignee until it determines whether the foreign corporation or its

1 successor requires a certificate of authority. If it so determines, the court may  
2 further stay the proceeding until the foreign corporation or its successor obtains  
3 the certificate.

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

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

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

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

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

19 (f) Notwithstanding subsections (a) and (b) of this section, the failure of a  
20 foreign corporation to obtain a certificate of authority does not impair the

1 validity of its corporate acts, to the extent they are otherwise in compliance  
2 with law, or prevent it from defending any proceeding in this ~~state~~ State.

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

4 § 15.02. CONSEQUENCES OF TRANSACTING BUSINESS WITHOUT  
5 AUTHORITY

6 (a) A foreign corporation transacting business in this ~~state~~ State without a  
7 certificate of authority may not maintain a proceeding or raise a counterclaim,  
8 crossclaim, or affirmative defense in any court in this ~~state~~ State until it obtains  
9 a certificate of authority.

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

16 (c) A court may stay a proceeding commenced by a foreign corporation, its  
17 successor, or assignee until it determines whether the foreign corporation or its  
18 successor requires a certificate of authority. If it so determines, the court may  
19 further stay the proceeding until the foreign corporation or its successor obtains  
20 the certificate.

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

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

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

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

15       (3) other penalties imposed by law.

16       (e) The Attorney General may file an action in the Civil Division of  
17       Superior Court to collect the penalties due under this subsection and to restrain  
18       a foreign corporation not in compliance with this chapter from doing business  
19       within this State.

20       (f) Notwithstanding subsections (a) and (b) of this section, the failure of a  
21       foreign corporation to obtain a certificate of authority does not impair the

1 validity of its corporate acts or prevent it from defending any proceeding in  
2 this ~~state~~ State.

3 Sec. C.12. 11C V.S.A. § 1402 is amended to read:

4 § 1402. APPLICATION FOR CERTIFICATE OF AUTHORITY

5 (a) A foreign enterprise may apply for a certificate of authority by  
6 delivering an application to the Secretary of State for filing. The application  
7 shall state:

8 (1) the name of the foreign enterprise and, if the name does not comply  
9 with section 111 of this title, an alternative name adopted pursuant to section  
10 1405 of this title;

11 (2) the name of the state or other jurisdiction under whose law the  
12 foreign enterprise is organized;

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

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

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

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

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

10 Sec. C.13. 11C V.S.A. § 1407 is amended to read:

11 § 1407. CANCELLATION OF CERTIFICATE OF AUTHORITY; EFFECT  
12 OF FAILURE TO HAVE CERTIFICATE

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

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

19 (2) The successor to a foreign enterprise that transacted business in this  
20 State without a certificate of authority and the assignee of a cause of action  
21 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 until the foreign enterprise or its successor or assignee  
3 obtains a certificate of authority.

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

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

10 (e) If a foreign enterprise transacts business in this State without a  
11 certificate of authority or cancels its certificate, it appoints the Secretary of  
12 State as its agent for service of process for an action arising out of the  
13 transaction of business in this State.

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

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

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

21 (3) other penalties imposed by law.

1 Sec. C.14. 11C V.S.A. § 1408 is amended to read:

2 § 1408. ACTION BY ATTORNEY GENERAL

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

7 \* \* \* Anti-Trust Penalties \* \* \*

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

9 § 2458. RESTRAINING PROHIBITED ACTS

10 \* \* \*

11 (b) In addition to the foregoing, the Attorney General or a State's Attorney  
12 may request and the court is authorized to render any other temporary or  
13 permanent relief, or both, as may be in the public interest including:

14 (1) the imposition of a civil penalty of not more than \$10,000.00 for  
15 ~~each violation~~ unfair or deceptive act or practice in commerce, and of not more  
16 than \$100,000.00 for an individual or \$1,000,000.00 for any other person for  
17 each unfair method of competition in commerce;

18 \* \* \*

19 \* \* \* Discount Membership Programs \* \* \*

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

21 Subchapter 1D. Third-Party Discount Membership Programs

1 § 2470aa. DEFINITIONS

2 In this subchapter:

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

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

16 § 2470bb. APPLICABILITY

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

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

1       (c) This subchapter shall not apply to an electronic payment system, as  
2       defined in section 2480o of this title, or to a financial institution, as defined in  
3       8 V.S.A. § 11101(32).

4       § 2470cc. REQUIRED DISCLOSURES; CONSENT

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

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

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

14           (B) the name of the third-party discount membership program, ~~and~~  
15       the name and address of the seller of the program, and a telephone number,  
16       email address, or other contact information the consumer may use to contact  
17       the seller with questions concerning the operation of the program;

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

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

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

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

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

10 (H) the fact that periodic notices of the program billings will be  
11 e-mailed or mailed to the consumer, as the case may be, consistent with section  
12 2470dd of this title; and

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

16 (A) obtaining from the consumer:

17 (i) the consumer's billing information; and

18 (ii) the consumer's name and address and a means to contact the  
19 consumer; and

20 (B) requiring the consumer to perform an additional affirmative  
21 action, such as clicking on an online confirmation button, checking an online

1 box that indicates the consumer's consent to be charged the amount disclosed,  
2 or expressly giving consent over the telephone.

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

6 (c) A person who sells a third-party discount membership program shall  
7 provide to a consumer on the receipt for the underlying good or service:

8 (1) confirmation that the consumer has signed up for a discount  
9 membership program;

10 (2) the price the consumer will be charged for the program;

11 (3) the date on which the consumer will first be charged for the  
12 program;

13 (4) the frequency of charges for the program; and

14 (5) information concerning the consumer's right to cancel the program  
15 and the address and email address to which the consumer may send a notice of  
16 cancellation.

17 § 2470dd. PERIODIC NOTICES

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

1 (1) a description of the program;

2 (2) the name of the third-party discount membership program and the  
3 name and address of the seller of the program;

4 (3) the cost of the program, including the amount of any periodic  
5 charges, how often such charges are imposed, and the method of payment;

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

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

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

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

14 (A) ~~To~~ to the consumer's last known e-mail address, if the consumer  
15 enrolled in the third-party discount membership program online or by e-mail,  
16 with the subject line, "IMPORTANT INFORMATION ABOUT YOUR  
17 DISCOUNT PROGRAM BILLING," or substantially similar words, provided  
18 that the sender takes reasonable steps to verify that the e-mail has been  
19 opened; or

20 (B) ~~Otherwise~~ otherwise by first-class mail to the consumer's last  
21 known mailing address, with the heading on the enclosure and outside

1 envelope, “IMPORTANT INFORMATION ABOUT YOUR DISCOUNT  
2 PROGRAM BILLING,” or substantially similar words; and

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

4 § 2470ee. CANCELLATION AND TERMINATION

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

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

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

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

7 § 2470ff. MAXIMUM LENGTH OF PLAN

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

10 § 2470gg. BILLING INFORMATION

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

14 § 2470hh. VIOLATIONS

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

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

20 (c) It is an unfair and deceptive act and practice in commerce for any  
21 person to provide substantial assistance to the seller of a third-party 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 third-party 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 third-party discount membership program is in violation of this  
8 subchapter; or

9 (3) consciously avoids knowing that the seller of the third-party 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 a third-party 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 discount membership, shall  
15 not be liable under this section unless the person receives notice, knows, or  
16 consciously avoids knowing, pursuant to subdivision (c)(1), (2), or (3) of this  
17 section, that a third-party discount membership program is in violation of this  
18 chapter.

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

20 Subchapter 1E: Add-On Discount Membership Programs

21 § 2470ii. DEFINITIONS

1        In this subchapter:

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

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

15        § 2470jj. APPLICABILITY

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

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

1        (c) This subchapter shall not apply to an electronic payment system, as  
2        defined in section 2480o of this title, or to a financial institution, as defined in  
3        8 V.S.A. § 11101(32).

4        § 2470kk. REQUIRED DISCLOSURES; CONSENT

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

8            (1) before obtaining the consumer’s billing information, the person has  
9        clearly and conspicuously disclosed to the consumer all material terms of the  
10       transaction, including:

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

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

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

19            (D) the right to cancel and to terminate the program, which shall be  
20       no more restrictive than as required by section 2470ll of this title, and a

1 toll-free telephone number and e-mail address that can be used to cancel the  
2 membership;

3 (2) before obtaining the consumer’s billing information, the person has  
4 received express informed consent for the add-on membership program from  
5 the consumer whose credit or debit card, bank, or other account will be  
6 charged, by requiring the consumer to perform an additional affirmative action,  
7 such as clicking on an online confirmation button, checking an online box that  
8 indicates the consumer’s consent to be charged the amount disclosed, or  
9 expressly giving consent over the telephone; and

10 (3) after providing the disclosures and obtaining the consent required by  
11 subdivisions (1) and (2) of this subsection, obtaining from the consumer:

12 (A) the consumer’s billing information; and

13 (B) the consumer’s name and address, and a means to contact the  
14 consumer.

15 (b) A person who sells an add-on discount membership program shall  
16 retain evidence of a consumer’s express informed consent for at least three  
17 years after the consent is given.

18 (c) A person who sells an add-on discount membership program shall  
19 provide to a consumer on the receipt for the underlying good or service:

20 (1) confirmation that the consumer has signed up for a discount  
21 membership program;

- 1           (2) the price the consumer will be charged 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           § 24701I. CANCELLATION AND TERMINATION

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

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

20           (c) In addition to the right to cancel described in this subchapter, a  
21 consumer may terminate an add-on discount membership program at any time

1 by providing notice to the seller by one of the methods described in this  
2 section. In that case, the consumer shall not be obligated to make any further  
3 payments under the program and shall not be entitled to any discounts under  
4 the program for any period of time after the last month for which payment has  
5 been made.

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

12 § 2470mm. BILLING INFORMATION

13 A person who offers or sells a discount membership program may not  
14 obtain billing information relating to a consumer except directly from the  
15 consumer.

16 § 2470nn. VIOLATIONS

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

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

1       (c) It is an unfair and deceptive act and practice in commerce for any  
2       person to provide substantial assistance to the seller of an add-on discount  
3       membership program that has engaged or is engaging in an unfair or deceptive  
4       act or practice in commerce, when the person or the person's authorized agent:

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

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

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

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

21               \* \* \* Nonresidential Home Improvement Fraud \* \* \*

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

2 § 2029. HOME IMPROVEMENT FRAUD

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

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

14                   (1) the person shall notify the Office of Attorney General;

15                   (2) the court shall notify the Office of the Attorney General; and

16                   (3) the Office of Attorney General shall place the person's name on the  
17 Home Improvement and Nonresidential Improvement Fraud Registry.

18                  (d)(1) A person who violates subsection (b) of this section shall be  
19 imprisoned not more than two years or fined not more than \$1,000.00, or both,  
20 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 of 2029a(d)(2), (3), or (4) of this title, or convicted of  
18          fraudulent acts related to home improvement, may engage in home  
19          improvement activities for compensation only if:

20                  (1) the work is for a company or individual engaged in home  
21          improvement activities or nonresidential improvement activities, and the

1 person first notifies the company or individual of the conviction and notifies  
2 the Office of Attorney General of the person's current address and telephone  
3 number; the name, address, and telephone number of the company or  
4 individual for whom the person is going to work; and the date on which the  
5 person will start working for the company or individual; or

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

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

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

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

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

20 (g) [Reserved.]

21 (h) [Repealed.]

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

2 § 2029a. NONRESIDENTIAL IMPROVEMENT FRAUD

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

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

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

- 1           (B) when the owner requests performance or a refund of payment  
2           made, the person fails to either:
- 3                   (i) refund the payment; or  
4                   (ii) make and comply with a definite plan for completion of the  
5           work that is agreed to by the owner;
- 6                   (2) misrepresents a material fact relating to the terms of the contract or  
7           agreement or to the condition of any portion of the property involved;
- 8                   (3) uses or employs any unfair or deceptive act or practice in order to  
9           induce, encourage, or solicit such person to enter into any contract or  
10           agreement or to modify the terms of the original contract or agreement; or
- 11                   (4) when there is a declared state of emergency, charges for goods or  
12           services related to the emergency a price that exceeds two times the average  
13           price for the goods or services and the increase is not attributable to the  
14           additional costs incurred in connection with providing those goods or services.
- 15           (c) Whenever a person is convicted of nonresidential improvement fraud:
- 16                   (1) the person shall notify the Office of Attorney General;  
17                   (2) the court shall notify the Office of the Attorney General; and  
18                   (3) the Office of Attorney General shall place the person’s name on the  
19           Home Improvement and Nonresidential Improvement Fraud Registry.

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

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

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

10       (A) the loss to a single consumer is \$1,000.00 or more; or

11       (B) the loss to more than one consumer is \$2,500.00 or more in the  
12       aggregate.

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

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

19       (e) A person who is sentenced pursuant to subdivision (d)(2), (3), or (4) of  
20       this section, subdivision 2029(d)(2), (3), or (4) of this title, **or convicted of**  
21       **fraudulent acts related to nonresidential improvement,** may engage in home

1 improvement activities or nonresidential improvement activities for  
2 compensation only if:

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

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

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

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

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

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

4           \*\*\* Financial Institutions; Licensed Lender; Technical Corrections \*\*\*

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

6           § 10101. APPLICATION OF CONSUMER PROTECTION CHAPTER

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

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

17          § 10601. APPLICATION

18          This subchapter shall apply to all persons licensed, authorized, or registered,  
19          or required to be licensed, authorized, or registered under Parts 2, 4, and 5, ~~and~~  
20          6 of this title.

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

1 (17) "Mortgage loan originator":

2 \* \* \*

3 (D) Does not include:

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

6 \* \* \*

7 \* \* \* Internet Dating Services \* \* \*

8 **Sec. H.1. FINDINGS AND PURPOSE**

9 (a) The General Assembly finds:

10 (1) Currently, an Internet dating service does not have an affirmative  
11 duty under any state or federal law to ban a member of the service, but a  
12 service may choose to voluntarily ban a member for violating one or more  
13 terms of use, or because the service determines the member poses a risk of  
14 defrauding another member.

15 (2) In 2014, Internet dating services banned millions of members, the  
16 vast majority of which were banned within 72 hours of creating an account  
17 with the service.

18 (3) Of the members banned in 2014, well less than one percent  
19 contacted the Internet dating service concerning the ban.

20 (4) Due to a growing number of cases in which Vermont members of  
21 Internet dating services have lost significant financial amounts to persons using

1 Internet dating services to defraud members or businesses, the Office of the  
2 Vermont Attorney General proposes this legislation, working with the input of  
3 multiple Internet dating services and other stakeholders.

4 (5) If an Internet dating service violates the statutory provisions created  
5 in this act, the Attorney General has the authority pursuant to 9 V.S.A. §§ 2458  
6 and 2459 to request from a court, or to settle with the service for, restitution for  
7 a consumer or class of consumers affected by the violation.

8 (b) Purpose. The purposes of this act are:

9 (1) to protect Vermont consumers by requiring an Internet dating service  
10 to disclose in a timely manner important information about banned members to  
11 Vermont members of the service;

12 (2) to protect Internet dating services from liability to members for  
13 disclosing the information required by this act, while preserving liability to the  
14 State of Vermont and its agencies, departments, and subdivisions for violating  
15 this act; and

16 (3) to protect Vermont consumers and other members of Internet dating  
17 services by requiring an Internet dating service to notify its Vermont members  
18 when there is a significant change to the Vermont member's account  
19 information.

1 H.2. 9 V.S.A. chapter 63, subchapter 8 is added to read:

2 Subchapter 8. Internet Dating Services

3 § 2482a. DEFINITIONS

4 In this chapter:

5 (1) “Account change” means a change to the password, e-mail address,  
6 age, identified gender, gender of members seeking to meet, primary photo  
7 unless it has previously been approved by the Internet dating service, or other  
8 conspicuous change to a member’s account or profile with or on an Internet  
9 dating service.

10 (1) “Account change” means a change to a member’s password,  
11 username, e-mail address, or other contact information an Internet dating  
12 service uses to enable communications between members.

13 (2) “Banned member” means the member whose account or profile is  
14 the subject of a fraud ban.

15 (3) “Fraud ban” means barring a member’s account or profile from an  
16 Internet dating service because, in the judgment of the service, the member  
17 poses a significant risk of attempting to obtain money from other members  
18 through fraudulent means.

19 (4) “Internet dating service” means a person ~~or entity~~, or a division of a  
20 person, that is primarily in the business of providing dating services principally  
21 on or through the Internet.

1           (5) “Member” means a person who submits to an Internet dating service  
2           information required to access the service and who obtains access to the  
3           service.

4           (6) “Vermont member” means a member who provides a Vermont  
5           residential or billing address or zip code when registering with the Internet  
6           dating service.

7           § 2482b. REQUIREMENTS FOR INTERNET DATING SERVICES

8           (a) An Internet dating service shall disclose to all of its Vermont members  
9           known to have previously received and responded to an on-site message from a  
10           banned member:

11           (1) the user name, identification number, or other profile identifier of the  
12           banned member;

13           (2) the fact that the banned member was banned because, in the  
14           judgment of the Internet dating service, the banned member may have been  
15           using a false identity or may pose a significant risk of attempting to obtain  
16           money from other members through fraudulent means;

17           (3) that a member should never send money or personal financial  
18           information to another member; and

19           (4) a hyperlink to online information that clearly and conspicuously  
20           addresses the subject of how to avoid being defrauded by another member of  
21           an Internet dating service.

1        (b) The notification required by subsection (a) of this section shall be:

2            (1) clear and conspicuous;

3            (2) by e-mail, text message, or other appropriate means of  
4        communication; and

5            (3) sent within 24 hours after the fraud ban, or at a later time if the  
6        service has determined, based on an analysis of effective messaging, that a  
7        different time is more effective, but in no event later than three days after the  
8        fraud ban.

9        (c) An Internet dating service shall disclose in an e-mail, text message, or  
10       other appropriate means of communication, in a clear and conspicuous manner,  
11       within 24 hours after discovering an account change to a Vermont member's  
12       account:

13            (1) the fact that information on the member's account ~~or personal profile~~  
14       has been changed;

15            (2) a brief description of the change; and

16            (3) if applicable, how the member may obtain further information on  
17       the change.

18        (d)(1) A banned member from Vermont who is identified to one or more  
19       Vermont members pursuant to subsection (a) of this section shall have the right  
20       to challenge the ban by written complaint to the Office of the Vermont  
21       Attorney General.

1           (2) The Office of the Attorney General shall review a challenge brought  
2           by a banned member pursuant to this subsection and, if it finds that there was  
3           no reasonable basis for banning the member, shall require the Internet dating  
4           service to take reasonable corrective action to cure the erroneous ban.

5           § 2482c. LIMITED IMMUNITY

6           (a) An Internet dating service shall not be liable to any person, other than  
7           the State of Vermont, or any agency, department, or subdivision of the State,  
8           for disclosing to any member that it has banned a member, the user name or  
9           identifying information of the banned member, or the reasons for the Internet  
10           dating service's decision to ban such member in accordance with section  
11           2482b of this title.

12           (b) An Internet dating service shall not be liable to any person, other than  
13           the State of Vermont, or any agency, department, or subdivision of the State,  
14           for the decisions regarding whether to ban a member, or how or when to notify  
15           a member pursuant to section 2482b of this title.

16           (c) This subchapter does not diminish or adversely affect the protections  
17           for Internet dating services that are afforded in 47 U.S.C. § 230 (Federal  
18           Communications Decency Act).

19           § 2482d. VIOLATIONS

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



1  
2  
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9

(Committee vote: \_\_\_\_\_)

\_\_\_\_\_

Representative \_\_\_\_\_

FOR THE COMMITTEE