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## SENATE BILL NO. 95

## AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee for Courts of Justice  
on February 6, 2008)

(Patron Prior to Substitute—Senator Reynolds)

A BILL to amend and reenact §§ 18.2-239 and 59.1-200 of the Code of Virginia, relating to definition of pyramid promotional schemes; penalty.

**Be it enacted by the General Assembly of Virginia:****1. That §§ 18.2-239 and 59.1-200 of the Code of Virginia are amended and reenacted as follows:**

§ 18.2-239. Pyramid promotional schemes; misdemeanor; definitions; contracts void.

Every person who contrives, prepares, sets up, operates, advertises or promotes any pyramid promotional scheme shall be guilty of a Class 1 misdemeanor. For the purposes of this section:

(a) "Pyramid promotional scheme" means any program utilizing a pyramid or chain process by which a participant gives a valuable consideration for the opportunity to receive compensation or things of value in return for inducing other persons to become participants in the program;

(b)(1) "Compensation" means the transfer of money or anything of value as defined by § 2.2-419. "Compensation" does not mean payment based on sales of goods or services to persons who are not participants in the scheme and who are not purchasing in order to participate in the scheme; and

(2) "Consideration" means the payment of cash or the purchase of goods, services, or intangible property;

(c)(3) "Promotes" shall mean means inducing one or more other persons to become a participant; and

(4) "Pyramid promotional scheme" means any plan or operation by which a person gives consideration for the opportunity to receive compensation a majority of which is derived from the consideration paid by other participants for the same opportunity rather than from the sale or consumption of goods, services, or intangible property by a participant or other persons introduced into the plan or operation.

All contracts and agreements, now existing or hereafter formed, whereof the whole or any part of the consideration is given for the right to participate in pyramid promotional scheme programs, are against public policy, void and unenforceable.

Any violation of the provisions of this section shall constitute a prohibited practice under the provisions of § 59.1-200 and shall be subject to any and all of the enforcement provisions of the Virginia Consumer Protection Act (§ 59.1-196 et seq.).

§ 59.1-200. Prohibited practices.

A. The following fraudulent acts or practices committed by a supplier in connection with a consumer transaction are hereby declared unlawful:

1. Misrepresenting goods or services as those of another;
2. Misrepresenting the source, sponsorship, approval, or certification of goods or services;
3. Misrepresenting the affiliation, connection, or association of the supplier, or of the goods or services, with another;
4. Misrepresenting geographic origin in connection with goods or services;
5. Misrepresenting that goods or services have certain quantities, characteristics, ingredients, uses, or benefits;

6. Misrepresenting that goods or services are of a particular standard, quality, grade, style, or model;

7. Advertising or offering for sale goods that are used, secondhand, repossessed, defective, blemished, deteriorated, or reconditioned, or that are "seconds," irregulars, imperfects, or "not first class," without clearly and unequivocally indicating in the advertisement or offer for sale that the goods are used, secondhand, repossessed, defective, blemished, deteriorated, reconditioned, or are "seconds," irregulars, imperfects or "not first class";

8. Advertising goods or services with intent not to sell them as advertised, or with intent not to sell at the price or upon the terms advertised.

In any action brought under this subdivision, the refusal by any person, or any employee, agent, or servant thereof, to sell any goods or services advertised or offered for sale at the price or upon the terms advertised or offered, shall be prima facie evidence of a violation of this subdivision. This paragraph shall not apply when it is clearly and conspicuously stated in the advertisement or offer by which such goods or services are advertised or offered for sale, that the supplier or offeror has a limited quantity or amount of such goods or services for sale, and the supplier or offeror at the time of such advertisement or offer did in fact have or reasonably expected to have at least such quantity or amount for sale;

9. Making false or misleading statements of fact concerning the reasons for, existence of, or amounts

60 of price reductions;

61 10. Misrepresenting that repairs, alterations, modifications, or services have been performed or parts  
62 installed;

63 11. Misrepresenting by the use of any written or documentary material that appears to be an invoice  
64 or bill for merchandise or services previously ordered;

65 12. Notwithstanding any other provision of law, using in any manner the words "wholesale,"  
66 "wholesaler," "factory," or "manufacturer" in the supplier's name, or to describe the nature of the  
67 supplier's business, unless the supplier is actually engaged primarily in selling at wholesale or in  
68 manufacturing the goods or services advertised or offered for sale;

69 13. Using in any contract or lease any liquidated damage clause, penalty clause, or waiver of  
70 defense, or attempting to collect any liquidated damages or penalties under any clause, waiver, damages,  
71 or penalties that are void or unenforceable under any otherwise applicable laws of the Commonwealth,  
72 or under federal statutes or regulations;

73 14. Using any other deception, fraud, false pretense, false promise, or misrepresentation in connection  
74 with a consumer transaction;

75 15. Violating any provision of § 3.1-796.78, 3.1-796.79, or 3.1-796.82, relating to the sale of certain  
76 animals by pet dealers which is described in such sections, is a violation of this chapter;

77 16. Failing to disclose all conditions, charges, or fees relating to:

78 a. The return of goods for refund, exchange, or credit. Such disclosure shall be by means of a sign  
79 attached to the goods, or placed in a conspicuous public area of the premises of the supplier, so as to be  
80 readily noticeable and readable by the person obtaining the goods from the supplier. If the supplier does  
81 not permit a refund, exchange, or credit for return, he shall so state on a similar sign. The provisions of  
82 this subdivision shall not apply to any retail merchant who has a policy of providing, for a period of not  
83 less than 20 days after date of purchase, a cash refund or credit to the purchaser's credit card account  
84 for the return of defective, unused, or undamaged merchandise upon presentation of proof of purchase.  
85 In the case of merchandise paid for by check, the purchase shall be treated as a cash purchase and any  
86 refund may be delayed for a period of 10 banking days to allow for the check to clear. This subdivision  
87 does not apply to sale merchandise that is obviously distressed, out of date, post season, or otherwise  
88 reduced for clearance; nor does this subdivision apply to special order purchases where the purchaser  
89 has requested the supplier to order merchandise of a specific or unusual size, color, or brand not  
90 ordinarily carried in the store or the store's catalog; nor shall this subdivision apply in connection with a  
91 transaction for the sale or lease of motor vehicles, farm tractors, or motorcycles as defined in  
92 § 46.2-100;

93 b. A layaway agreement. Such disclosure shall be furnished to the consumer (i) in writing at the time  
94 of the layaway agreement, or (ii) by means of a sign placed in a conspicuous public area of the  
95 premises of the supplier, so as to be readily noticeable and readable by the consumer, or (iii) on the bill  
96 of sale. Disclosure shall include the conditions, charges, or fees in the event that a consumer breaches  
97 the agreement;

98 16a. Failing to provide written notice to a consumer of an existing open-end credit balance in excess  
99 of \$5 (i) on an account maintained by the supplier and (ii) resulting from such consumer's overpayment  
100 on such account. Suppliers shall give consumers written notice of such credit balances within 60 days of  
101 receiving overpayments. If the credit balance information is incorporated into statements of account  
102 furnished consumers by suppliers within such 60-day period, no separate or additional notice is required;

103 17. If a supplier enters into a written agreement with a consumer to resolve a dispute that arises in  
104 connection with a consumer transaction, failing to adhere to the terms and conditions of such an  
105 agreement;

106 18. Violating any provision of the Virginia Health Spa Act, Chapter 24 (§ 59.1-294 et seq.) of this  
107 title;

108 19. Violating any provision of the Virginia Home Solicitation Sales Act, Chapter 2.1 (§ 59.1-21.1 et  
109 seq.) of this title;

110 20. Violating any provision of the Automobile Repair Facilities Act, Chapter 17.1 (§ 59.1-207.1 et  
111 seq.) of this title;

112 21. Violating any provision of the Virginia Lease-Purchase Agreement Act, Chapter 17.4  
113 (§ 59.1-207.17 et seq.) of this title;

114 22. Violating any provision of the Prizes and Gifts Act, Chapter 31 (§ 59.1-415 et seq.) of this title;

115 23. Violating any provision of the Virginia Public Telephone Information Act, Chapter 32  
116 (§ 59.1-424 et seq.) of this title;

117 24. Violating any provision of § 54.1-1505;

118 25. Violating any provision of the Motor Vehicle Manufacturers' Warranty Adjustment Act, Chapter  
119 17.6 (§ 59.1-207.34 et seq.) of this title;

120 26. Violating any provision of § 3.1-949.1, relating to the pricing of merchandise;

121 27. Violating any provision of the Pay-Per-Call Services Act, Chapter 33 (§ 59.1-429 et seq.) of this

122 title;

123 28. Violating any provision of the Extended Service Contract Act, Chapter 34 (§ 59.1-435 et seq.) of  
124 this title;

125 29. Violating any provision of the Virginia Membership Camping Act, Chapter 25 (§ 59.1-311 et  
126 seq.) of this title;

127 30. Violating any provision of the Comparison Price Advertising Act, Chapter 17.7 (§ 59.1-207.40 et  
128 seq.) of this title;

129 31. Violating any provision of the Virginia Travel Club Act, Chapter 36 (§ 59.1-445 et seq.) of this  
130 title;

131 32. Violating any provision of §§ 46.2-1231 and 46.2-1233.1;

132 33. Violating any provision of Chapter 40 (§ 54.1-4000 et seq.) of Title 54.1;

133 34. Violating any provision of Chapter 10.1 (§ 58.1-1031 et seq.) of Title 58.1;

134 35. Using the consumer's social security number as the consumer's account number with the supplier,  
135 if the consumer has requested in writing that the supplier use an alternate number not associated with  
136 the consumer's social security number;

137 36. Violating any provision of Chapter 18 (§ 6.1-444 et seq.) of Title 6.1;

138 37. Violating any provision of § 8.01-40.2;

139 38. Violating any provision of Article 7 (§ 32.1-212 et seq.) of Chapter 6 of Title 32.1;

140 39. Violating any provision of Chapter 34.1 (§ 59.1-441.1 et seq.) of this title;

141 40. Violating any provision of Chapter 10.2 (§ 6.1-363.2 et seq.) of Title 6.1;

142 41. Violating any provision of the Virginia Post-Disaster Anti-Price Gouging Act, Chapter 46  
143 (§ 59.1-525 et seq.) of this title;

144 42. Violating any provision of Chapter 47 (§ 59.1-530 et seq.) of this title;

145 43. Violating any provision of § 59.1-443.2;

146 44. Violating any provision of Chapter 48 (§ 59.1-533 et seq.) of this title; ~~and~~

147 45. Violating any provision of Chapter 20 (§ 6.1-474 et seq.) of Title 6.1; *and*

148 46. *Violating any provision of § 18.2-239.*

149 B. Nothing in this section shall be construed to invalidate or make unenforceable any contract or  
150 lease solely by reason of the failure of such contract or lease to comply with any other law of the  
151 Commonwealth or any federal statute or regulation, to the extent such other law, statute, or regulation  
152 provides that a violation of such law, statute, or regulation shall not invalidate or make unenforceable  
153 such contract or lease.