

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 572  
Committee Substitute Favorable 5/1/89

Short Title: Discount Buying Clubs.

(Public)

Sponsors:

Referred to:

March 14, 1989

A BILL TO BE ENTITLED  
AN ACT CONCERNING DISCOUNT BUYING CLUBS.  
The General Assembly of North Carolina enacts:

Section 1. G.S. 66-132 reads as rewritten:

**"§ 66-132. Contracts to be in writing.**

(a) Every contract between a discount buying club and its customers shall be in writing, fully completed, dated and signed by all contracting parties. A copy of the completed contract shall be given to the buyer at the time he signs it. The contract shall in clear, conspicuous and simple language:

(1) State the duration of the contract in a definite period of years or months. If the contract ~~calls for periodic renewal fees, may be periodically renewed,~~ the contract shall state specifically the terms under which it may be renewed; and the amount of such any renewal fees must be stated, stated unless the contract meets the requirements of subsection (b) of this section.

(2) State that the buying club will maintain a trust account and bond in compliance with G.S. 66-135, and identify the location of the trust account and the name and address of the surety company.

(3) Contain, immediately above the customer's signature in boldface type of not less than 10 points size, a statement substantially as follows:

'You, the customer, may cancel this contract at any time prior to midnight of the third business day after the date of this

1 contract. To cancel you must notify the company in writing of  
2 your intent to cancel.'

3 (4) List the categories of goods and services the buying club contracts to  
4 make available.

5 (5) State the procedures by which the customer can select, order, and pay  
6 for merchandise or services and state the time and manner of delivery.

7 (6) State the method the discount buying club will use in setting the price  
8 customers will pay for goods or services.

9 (7) List any charges, however denominated, which are incidental to the  
10 purchase of goods or services and which must be paid by the customer.

11 (8) State the discount buying club's obligations with respect to warranties  
12 on goods or services ordered.

13 (9) State the customer's rights and obligations with respect to the  
14 cancellation or return of ordered goods.

15 (b) The written contract required by subsection (a) above need not be signed or  
16 dated by the customer if the following requirements are met:

17 (1) The total consideration paid by each member or customer does not  
18 exceed a one-time or annual fee of one hundred dollars (\$100.00);

19 (2) The member or customer has the unconditional right to cancel the  
20 contract at any time and receive within 10 days a full refund of the  
21 one-time membership fee, or the annual membership fee covering the  
22 current membership period, whichever the case may be;

23 (3) Instead of the notice required in subsection (a)(3), above, the written  
24 contract contains on its first page in boldface type of not less than 10  
25 points size, or not less than the point size of the contract terms or  
26 information printed immediately adjacent thereto, whichever point size  
27 shall be larger, a statement substantially as follows: 'You, the  
28 customer, may cancel this contract at any time and receive a total  
29 refund of any fees or consideration already paid for the current  
30 membership period. To cancel you must notify the company in writing  
31 of your intent to cancel.'; and(4) The written contract is mailed to  
32 the buyer on or before the date the membership is first charged or  
33 billed."

34 Sec. 2. G.S. 66-135(b) reads as rewritten:

35 "(b) Every discount buying club shall hold advance payments for goods and  
36 services in trust in a separate account used solely for that purpose. The funds in such  
37 account shall be held free from all liens. Records of such account shall be kept by the  
38 buying club in the regular course of its business sufficient to identify the amount held  
39 for each customer, the dates of the receipt and withdrawal of funds, and the purpose of  
40 withdrawal. Such records must be retained for a period not less than four years  
41 following withdrawal. Funds may not be withdrawn from the trust account unless and  
42 until (i) the ordered goods have been actually delivered to the customer or consigned to  
43 a certified public carrier, or (ii) ordered services have been provided in full, or (iii) the  
44 buying club has refunded the customer's payment. Provided, the discount buying club

1 shall not be required to comply with the foregoing trust account requirements if the  
2 discount buying club meets the requirements of G.S. 66-132(b), bills its customers  
3 through a credit card account and obtains and maintains an additional bond in the  
4 amount of fifty thousand dollars (\$50,000) from a surety company licensed to do  
5 business in North Carolina."

6 Sec. 3. G.S. 66-135(a) reads as rewritten:

7 "(a) Every discount buying club shall obtain and maintain a bond from a surety  
8 company licensed to do business in North Carolina. Such bond shall be in an amount  
9 not less than ~~twenty five thousand dollars (\$25,000). Whenever a discount buying club~~  
10 ~~has contracts with North Carolina residents, from whom it has received contract~~  
11 ~~payments of fifty thousand dollars (\$50,000) or more, exclusive of renewal fees, such~~  
12 ~~bond shall be in an amount not less than fifty thousand dollars (\$50,000). one hundred~~  
13 ~~times the one-time or annual membership fee, or fifty thousand dollars (\$50,000),~~  
14 whichever is greater."

15 Sec. 4. Chapter 66 of the General Statutes is amended by adding a new  
16 section to read:

17 "**§ 66-137. Taxes.**

18 Discount buying clubs must pay North Carolina sales taxes and other applicable  
19 North Carolina taxes."

20 Sec. 5. This act is effective upon ratification.