

Be it enacted by the Legislature of the State of Minnesota:

Section 1. [15.415] **STATE DEPARTMENTS AND AGENCIES; CORRECTIONS IN TRANSACTIONS; WAIVER.** In any instance where a correction concerning any state department or agency transaction involves an amount less than the administrative cost of making the correction, the correction shall be waived unless it is possible at a relatively nominal expense to include the correction in a later transaction. If the amount of any correction is less than \$2 it shall be prima facie evidence that the cost of the correction would exceed the amount involved.

Approved May 18, 1971.

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### CHAPTER 391—H.F.No.14

*An act restricting the use of referral sales methods; providing a penalty; amending Minnesota Statutes 1969, Section 325.79, Subdivision 2.*

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1969, Section 325.79, Subdivision 2, is amended to read:

Subd. 2. **CONSUMER FRAUD; REFERRAL AND CHAIN REFERRAL SELLING PROHIBITED.** (1) With respect to any sale or lease the seller or lessor may not give or offer a rebate or discount or otherwise pay or offer to pay value to the buyer or lessee as an inducement for a sale or lease in consideration of his giving to the seller or lessor the names of prospective purchasers or lessees, or otherwise aiding the seller or lessor in making a sale or lease to another person, if the earning of the rebate, discount or other value is contingent upon the occurrence of an event subsequent to the time the buyer or lessee agrees to buy or lease.

(2) (a) With respect to any sale or lease, it shall be illegal for any seller or lessor to operate or attempt to operate any plans or operations for the disposal or distribution of property or franchise or both whereby a participant gives or agrees to give a valuable consideration for the chance to receive something of value for inducing one or more additional persons to give a valuable consideration in order to participate in the plan or operation, or for the chance to receive something of value when a person induced by the participant induces a new participant to give such valuable consider-

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ation including such plans known as chain referrals, pyramid sales, or multi-level sales distributorships.

(b) The phrase "something of value" as used in paragraph (a) above, does not mean or include payment based upon sales made to persons who are not purchasing in order to participate in the prohibited plan or operation.

(3) If a buyer or lessee is induced by a violation of this subdivision to enter into a sale or lease, the agreement is unenforceable and the buyer or lessee at his option, may rescind the agreement with the seller or lessor and, upon tendering the property received, or what remains of it, obtain full or in the case of remains, a proportional restitution of all sums paid, or retain the goods delivered and the benefit of any services performed without any further obligation to pay for them.

(4) With respect to a sale or lease in violation of this section an assignee of the rights of the seller or lessor is subject to all claims and defenses of the buyer or lessee against the seller or lessor arising out of the sale or lease notwithstanding an agreement to the contrary, but the assignee's liability under this section may not exceed the amount owing to the assignee at the time the claim or defense is asserted against the assignee. Rights of the buyer or lessee under this section can only be asserted as a matter of defense to or set-off against a claim by the assignee.

(5) In a sale or lease in violation of this section, the seller or lessor may not take a negotiable instrument other than a check as evidence of the obligation of the buyer or lessee. A holder is not in good faith if he takes a negotiable instrument with notice that it is issued in violation of this section.

(6) Any person who violates any provision of this subdivision shall be guilty of a gross misdemeanor.

Sec. 2. This act shall be effective as to any sale or lease entered into after July 1, 1971.

Approved May 19, 1971.

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## CHAPTER 392—H.F.No.1045

*An act relating to courts; establishing permanent chambers of eighth judicial district in Willmar instead of Litchfield; amending Minnesota Statutes 1969, Section 2.722.*

Changes or additions indicated by underline, deletions by ~~strikeout~~.