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AG STRANGE ANNOUNCES \$11 MILLION MULTI-STATE SETTLEMENT WITH CLASSMATES INC., FLORISTS TRANSWORLD DELIVERY INC. AND FTD.COM INC.

(MONTGOMERY) --Alabama Attorney General Luther Strange and the Attorneys General of 21 other states announced today that Classmates Inc. ("Classmates"), along with Florists' Transworld Delivery Inc. and FTD.com Inc. (collectively "FTD"), have agreed to pay \$11 million to settle allegations that the companies engaged in misleading advertising and billing practices. This includes restitution to eligible consumers.

The Attorneys General allege Classmates and FTD engaged in misleading, unfair and deceptive practices in violation of state consumer protection laws. Specifically, the Attorneys Generals' investigation focused on the companies' relationships with third-parties who used negative option marketing practices to sell membership programs to consumers doing business online with Classmates and FTD. Negative option marketing is a sales practice in which a seller treats a consumer's failure to take an affirmative action, either to reject an offer or cancel an agreement, as assent to be charged for goods or services.

These third-party marketers offered programs such as discount buying clubs and travel rewards programs, often immediately after the consumer's online transaction with Classmates or FTD. Unbeknownst to the consumer, Classmates and FTD would share consumers' personal information, including credit card account numbers (a practice known as "data pass") so that the consumer could be billed for these offers if they did not cancel. Congress banned data pass in Internet transactions in 2010 with the passage of the Restore Online Shoppers' Confidence Act, 15 U.S.C. §8401, *et seq.* A number of Attorneys General, including Alabama, settled similar allegations against two of Classmates' and FTD's marketing partners - Webloyalty, Inc. and Affinion Corp. - in late 2013. That settlement included a restitution fund for consumers in excess of \$19 million.

"Consumers' financial information should never be shared without their knowledge and consent," said Attorney General Strange. "In addition, they should not be misled about whether they have to take action to keep from being charged for something which they did not intend to purchase. I am pleased that this settlement includes restitution for eligible consumers and that important reforms will be put in place."

Today's agreement includes a number of requirements to ensure that consumers knowingly consent to the purchase of any membership program offered by a marketing partner of Classmates or FTD, including the following injunctive terms:



- A prohibition against misrepresenting the reason for requesting a consumer's account information.
- Classmates/FTD's marketing partners cannot use FTD and Classmates' names or logos in the title of a membership program, and any offer must be made after the consumers have concluded their transactions with Classmates or FTD, in order to ensure that consumers understand they are receiving a separate and distinct offer from a company other than FTD and Classmates.
- Before consumers are transferred to a marketing partner to receive a trial offer, the consumers must receive clear and conspicuous disclosures informing them that they will be transferred to another site to receive a membership offer and the consumers must consent to the transfer.
- Classmates/FTD and its marketing partners cannot state an offer is "free" or "risk free" if the offered program will convert to a paid subscription.
- Classmates/FTD are generally prohibited from making misrepresentations and material omissions, including making any misrepresentations concerning the reason or purpose for which a consumer is receiving an offer for enrollment in a membership program.

The Attorneys General also investigated Classmates' renewal and cancellation practices in connection with its own social network subscription services offered to consumers through its website, Classmates.com. The Attorneys General allege Classmates failed to adequately inform consumers that their subscriptions would automatically renew and made it difficult for consumers to cancel their subscriptions. Under today's settlement, Classmates has agreed to make significant changes to its business practices, including more clearly disclosing to consumers that their Classmates subscriptions will automatically renew and making it easier for consumers to cancel their subscriptions.

Classmates and FTD denied any wrongdoing, but in order to settle the matter they agreed to make an \$8 million payment to the Attorneys General. Additionally, Classmates is establishing a \$3 million restitution fund to provide refunds to consumers who were enrolled into Classmates' subscription service without authorization or who experienced difficulty when trying to cancel their Classmates subscriptions.

Alabama consumers seeking a refund from Classmates, who have not previously filed a complaint with the Attorney General, may file a complaint with Attorney General Strange's Consumer Protection Section through the website, www.ago.alabama.gov, or by writing to 501 Washington Avenue, Montgomery, Alabama, 36104. Consumers may call toll-free to 1-800-392-5658 for information. Complaints must be filed by 90 days after the settlement's execution date, when it is approved by the court. Consumers who previously filed complaints regarding Classmates' renewal and cancellation practices may also receive restitution under the settlement.

The States included in the settlement are Alabama, Alaska, Delaware, Florida, Idaho, Illinois, Kansas, Maine, Maryland, Michigan, Nebraska, New Jersey, New Mexico, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Texas, Vermont, Washington and Wisconsin. The states that led the investigation were Maryland and Kansas.