

and updated at each renewal under subsection (b) of this section.

(2) (i) The amount of the bond shall be increased, or may be decreased, as necessary to take into account changes in the health club facility's outstanding liabilities to members in the following cases, whichever comes first:

1. When the health club facility's outstanding liabilities to members increase or decrease by \$10,000; or

2. On a quarterly basis.

(ii) If a registrant's outstanding liabilities to the members exceed the amount of the bond, and the registrant has failed to increase the bond, then the registrant shall immediately stop selling health club services agreements and shall refrain from selling health club services agreements until the requirements of this subsection have been satisfied.

(3) (i) An irrevocable letter of credit in a form acceptable to the Division, or cash, may be filed with the Division instead of a surety bond.

(ii) Notwithstanding any other provision of this subtitle, a seller of health club services agreements does not have to file or maintain a bond, letter of credit, or cash in excess of \$200,000 per health club services facility. The bonding requirement of this subsection applies to each location at which health club services are sold in any case where a person operates or plans to operate more than one facility within the State.

(h) (1) Each person who sells health club services to be offered at a planned facility or a facility under construction shall:

(i) Register under subsection (a) of this section before conducting any sales activities; and

(ii) Maintain a surety bond in an amount not less than \$50,000 until the value of obligations to consumers exceeds that amount.

(2) Until the time a person opens a health club services facility, the amount of the bond shall be increased as necessary to take into account increases in the person's outstanding liabilities to the members with a final adjustment to be made at the time of opening.

(3) Upon opening the facility, the person is subject to the provisions of subsections (a) through (e) of this section.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 1990.

Approved May 29, 1990.