

Article – Commercial Law

14-12B-01.

(a) In this subtitle, the following words have the meanings indicated.

(d) "Division" means the Consumer Protection Division of the Office of the Attorney General.

14-12B-02.

(f) (1) A buyer of health club services who suffers or sustains any loss or damage by reason of the closing of a facility or bankruptcy by the seller of the health club services agreement shall file a claim with the surety and, if the claim is not paid, may bring an action based on the bond and recover against the surety. In the case of a letter of credit or cash deposit that has been filed with the Division, the buyer may file a claim with the Division.

(2) Any claim under paragraph (1) of this subsection shall be filed no later than 1 year from the date on which the facility closed or bankruptcy was filed. THE DIVISION SHALL NOTIFY EACH KNOWN BUYER DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION ABOUT THE PROCEDURE FOR FILING A CLAIM, UNLESS THE SELLER OF THE HEALTH CLUB SERVICES AGREEMENTS ~~ESTABLISHES TO THE SATISFACTION OF THE DIVISION THAT THE SELLER HAS PROVIDED SUFFICIENT NOTICE TO EACH KNOWN BUYER.~~

(3) The Division may file a claim with the surety on behalf of any buyer in paragraph (1) of this subsection. The surety shall pay the amount of the claims to the Division for distribution to claimants entitled to restitution and shall be relieved of liability to that extent.

(4) The liability of the surety under any bond may not exceed the aggregate amount of the bond, regardless of the number or amount of claims filed.

(5) If the claims filed should exceed the amount of the bond, the surety shall pay the amount of the bond to the Division for distribution to claimants entitled to restitution and shall be relieved of all liability under the bond.

(6) THE DIVISION MAY OBTAIN REIMBURSEMENT FOR POSTAGE AND OTHER REASONABLE NONSALARY EXPENSES INCURRED IN NOTIFYING BUYERS AND DISTRIBUTING CLAIMS BY:

(I) FILING A PRIORITY CLAIM FOR THE EXPENSES AGAINST THE SURETY BOND POSTED BY THE SELLER; OR

(II) APPLYING TO THE EXPENSES ON A PRIORITY BASIS THE PROCEEDS OF THE LETTER OF CREDIT OR CASH DEPOSIT POSTED BY THE SELLER WITH THE DIVISION.

(7) THE PROVISIONS OF THIS SUBSECTION DO NOT APPLY WHERE THE BUYER'S MEMBERSHIP AGREEMENT PROVIDES FOR THE TRANSFER OF MEMBERSHIP PRIVILEGES TO A COMPARABLE NEW OR EXISTING FACILITY WITHIN A REASONABLE DISTANCE OF THE CLOSED FACILITY.