

including all prepaid fees, membership fees, dues, deposits, initiation fees, and fees for health club services. For the purposes of this section, "liabilities" means the moneys actually received in advance from the members less the prorated value of services rendered by the health club facility. In the case of a lifetime contract, the liabilities shall be calculated on a prorated basis for not more than 36 months.

(ii) The amount of the bond shall be based upon a report prepared by an independent certified public accountant describing the health club's outstanding liabilities to the members using accepted standard accounting principles. In this section "outstanding liabilities" includes all amounts that would be required to be refunded to members if the health club facility ceases operations. FOR ANY MEMBERSHIP IN WHICH THE HEALTH CLUB FACILITY DOES NOT COLLECT EITHER AN INITIATION FEE OF MORE THAN \$200 OR AN ADVANCE PAYMENT FOR MORE THAN 1 MONTH'S SERVICE FROM THE MEMBER, "OUTSTANDING LIABILITIES" DOES NOT INCLUDE THE INITIATION FEE AND THE ADVANCE PAYMENT FOR 1 MONTH'S SERVICE.

(iii) The report shall be submitted at the time of initial registration 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.

(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.