

## INSTRUCTIONS FOR PREPAID ENTERTAINMENT SURETY BOND

Pursuant to North Carolina's Prepaid Entertainment Contracts statutes,<sup>1</sup> sellers of prepaid entertainment contracts in which the seller takes payments more than 31 days in advance and/or charges any one-time non-recurring fees, must purchase either: (1) a surety bond issued by a surety company authorized to do business in the State of North Carolina; or (2) an irrevocable letter of credit from a bank insured by the Federal Deposit Insurance Corporation.<sup>2</sup> You must file the completed original bond, signed by you and the surety company, with the Attorney General.

The sample *Prepaid Entertainment Surety Bond*, provided hereinafter, contains the language that must be included in the surety bond to comply with North Carolina law.

### PLEASE NOTE:

The bonding requirement applies to each location that you own or operate in North Carolina. Accordingly, you must purchase a separate bond sufficient to cover each separately located facility's outstanding liabilities.

The amount of the bond is based on the seller's written sworn statement of outstanding liabilities as of March 30 and September 30 of each year.<sup>3</sup> The amount must be equal to the seller's outstanding liabilities or ten thousand dollars (\$10,000), whichever is greater. The maximum amount is two hundred fifty thousand dollars (\$250,000) per facility.

If you do not collect money more than 31 days in advance (i.e., you do not sell any contracts in which the buyer pays more than one month at a time), but you do collect an enrollment or other one-time fee, you must carry the minimum bond of ten thousand dollars (\$10,000).

You are exempt from the bonding requirement if all of your unexpired contracts and current membership plans meet both of the following conditions: (1) no initiation fee or similar nonrecurring fee is charged, and (2) at no time is any member charged to pay for the use of facilities or services more than 31 days in advance.

The original surety bond must be mailed to:

North Carolina Attorney General's Office  
Consumer Protection Division  
9001 Mail Service Center  
Raleigh, NC 27699-9001

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<sup>1</sup> The Prepaid Entertainment Contracts statute (N.C. G. S. §§ 66-118 through 66-130) is available in its entirety on the North Carolina General Assembly's Web site:  
[http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/ByArticle/Chapter\\_66/Article\\_21.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/ByArticle/Chapter_66/Article_21.html).

<sup>2</sup> See *Instructions for Irrevocable Letter of Credit*

<sup>3</sup> See *Instructions for Completing Sworn Statement of Outstanding Liabilities*

## PREPAID ENTERTAINMENT SURETY BOND

We \_\_\_\_\_ (full company name) located at \_\_\_\_\_ (facility address) a corporation incorporated under the laws of the State of \_\_\_\_\_ and authorized by the Secretary of State of North Carolina to transact business in this State, as, PRINCIPAL and \_\_\_\_\_ (surety company) of \_\_\_\_\_ (surety company address), a corporation incorporated under the laws of the State of \_\_\_\_\_ and duly licensed to transact a surety business in the State of North Carolina, as SURETY, are indebted and bound to the State of North Carolina in the sum of \_\_\_\_\_, for which payment we bind ourselves and our legal representatives and successors jointly and severally.

The condition of this obligation is that the principal has sold or is desirous of selling and will hereafter sell certain prepaid entertainment contracts as defined in N.C.G.S. § 66-118(3) and it is required by the provisions of N.C.G.S. § 66-124 that principal furnish a bond on the terms and conditions set forth in Chapter 66, Article 21 of the North Carolina General Statutes.

If the principal and all his agents and employees shall faithfully and honestly perform and abide by all the obligations as set out in the provisions of Chapter 66, Article 21 of the North Carolina General Statutes and all amendments to Chapter 66, Article 21 now and hereafter enacted, then this obligation shall be null and void; otherwise, it shall be in full force and effect.

This surety bond is intended to comply with the requirements of Chapter 66, Article 21 of the North Carolina General Statutes, and in accordance with the provisions and requirements of those statutes, it is expressly provided that:

1. Any buyer of prepaid entertainment contract services who suffers or sustains any loss or damage by reason of the closing of a facility or bankruptcy of the seller shall file a claim with the surety, and if the claim is not paid, may bring an action in his own name based on the bond and recover against the surety.
2. The Attorney General may file a claim with the surety on behalf of any buyer of prepaid entertainment services who has suffered or sustained a loss or damage by reason of the closing of a facility or bankruptcy of the seller, and the surety shall pay the amount of the claim to the Attorney General for distribution to claimants entitled to restitution.
3. The total aggregate liability of the surety hereon shall be limited to the sum of \_\_\_\_\_.
4. This bond shall be deemed continuous in form and shall remain in full force and effect unless terminated or cancelled in the manner hereinafter provided.
5. Surety may cancel this bond and be relieved of further liability by giving sixty (60) days written notice to the Consumer Protection Division of the North Carolina Attorney General's Office at 9001 Mail Service Center, Raleigh, North Carolina 27699-9001, but such cancellation shall not operate to relieve,

release, or discharge the surety from any liability already accrued or which shall accrue before the expiration of the sixty (60) day period.

6. In the event principal and surety or either of them is served with notice of any action brought against the principal or surety under this bond, written notice of the filing of such action shall immediately be given by the principal or surety as each is served or notified to the North Carolina Attorney General in Raleigh, North Carolina.

IN WITNESS WHEREOF, the above bounded parties have executed this instrument under their several seals, this the \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_, the name and corporate seal of each corporate party being hereto affixed and these presents duly signed by its undersigned representative, pursuant to authority of its governing body.

**SURETY COMPANY:** \_\_\_\_\_  
AUTHORIZED SIGNATURE

\_\_\_\_\_  
PRINT NAME AND TITLE

**PRINCIPAL:** \_\_\_\_\_  
AUTHORIZED SIGNATURE

\_\_\_\_\_  
PRINT NAME AND TITLE