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Commonwealth of Pennsylvania  
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**MEMORANDUM**

**TO:** All House Members  
**FROM:** Representative Todd Stephens  
**DATE:** June 20, 2012  
**SUBJECT:** Cosponsor Memo - Amend Health Club Act - Bonding Requirements

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In the near future, I will be introducing legislation amending the Health Club Act (Act 87 of 1989) to modify the bonding requirements imposed upon health clubs operating within the Commonwealth. The current method of establishing an appropriate bonding amount is not reflective of the current market and deters capital investment in Pennsylvania.

The bonding requirements of the Health Club Act have not changed since its enactment in 1989 and the health club industry has changed significantly since then. Consumers have a number of options to choose from and can find a club that offers a contract that suits their individual needs including: long-term, annual and month-to-month membership contracts.

Currently, the amount of the bond that a health club must maintain to operate within Pennsylvania is based upon the term of the health club contract and the number of physical locations. Many small health clubs find it difficult to maintain the \$50,000 minimum bonding amount required by current law. As a result, small business entrepreneurs are forced to forego opening a health club in Pennsylvania because they are unable to obtain a bond in the required amount. Additionally, because we require a separate bond for each physical club, larger health club companies are encouraged to build new clubs elsewhere as other states (including, Maryland, Ohio, New Jersey and Virginia) have less stringent bonding requirements and/or exemptions from bonding requirements.

My legislation will establish new bonding requirements based upon the number of health club contracts (i.e. memberships), reduces the maximum term of a health club contract from three years to two years and provides for an exemption from bonding for clubs that have been operating continuously under the same ownership for two years or more and who either maintain a bond or an irrevocable letter of credit from an FDIC insured corporation. The bill reflects the changes that have occurred in the health club industry since 1989 and shifts the focus of bonding from the number of clubs (i.e. a new bond for each location) to the number of membership contracts a club holds. I believe these changes preserve the consumer protection interests that led to the bonding requirement in the first place while promoting economic development through an improved business climate for health clubs in the Commonwealth.

A copy of my draft bill is attached. If you would like to co-sponsor this legislation, please contact Lindsey Freidly at 260-6163 or [lfreidly@pahousegop.com](mailto:lfreidly@pahousegop.com) . Thank you for your interest and support.