

3332-1-13 Surety bonds.

- (A) Pursuant to section 3332.08 of the Revised Code, the application for a certificate of registration shall be accompanied by a surety bond in the penal sum as determined by section (E) of this rule. The bond shall be in a form prescribed by the state board of career colleges and schools with at least one corporate bonding company approved by the department of insurance as surety thereon. Bond shall be maintained in effect for a period as determined by section (F) of this rule. The bond shall provide for indemnification of any person suffering prepaid tuition loss as the result of a school closure, program termination or other acts or omissions resulting in the cancellation, revocation, or expiration of a certificate of registration or program authorization.
- (B) The liability of the surety on the bond shall not exceed the sum of the face value of the bond as determined by the board as an aggregate for all students for all breaches of the conditions of the bond by the school. The term of the bond shall be continuous, but it shall be subject to cancellation by the surety in the manner described in this rule.
- (C) The surety may terminate the bond upon giving a sixty-day written notice to the principal and to the state board of career colleges and schools, but the liability of the surety for the acts of the principal continues during the sixty days of the cancellation notice. The notice does not absolve the surety from liability which accrues before the cancellation becomes final, but which is discovered after that date and which may have arisen at any time during the term of the bond. Unless the bond is replaced by that of another surety before the expiration of the sixty days notice of cancellation, the school's certificate of registration shall be suspended.
- (D) Any person subject to this section required to file a bond with an application for a certificate of registration, may file, in lieu thereof, cash, a certificate of deposit, or government bonds in the amount of the face value of the bond as determined by the board. The deposit is subject to the same terms and conditions as are provided for in the surety bond required herein. Any interest or earnings on such deposits are payable to the depositor.
- (E) Penal sum of bond
 - (1) The minimum penal sum of any bond maintained by a registered school under this rule shall be ten thousand dollars.
 - (2) A registered school will be required to maintain a bond with a penal sum in excess of ten thousand dollars if it meets any of the following conditions:
 - (a) The school fails to meet the board's standards of fiscal responsibility.
 - (b) The school maintains over one hundred thousand dollars in prepaid tuition revenue as calculated by the board and excluding prepaid tuition revenue that consists of government grants or federal student loans and grants authorized under Title IV of the "Higher Education Act of 1965," 20 U.S.C.A. 1070 et seq., as amended.

- (3) A school that fails to meet the board's standards of fiscal responsibility shall be required to maintain a bond in a penal sum equal to fifty percent of the school's prepaid tuition revenue as calculated by the board.
 - (4) A school that maintains over one hundred thousand dollars in prepaid tuition revenue as calculated by the board and excluding prepaid tuition revenue that consists of government grants or federal student loans and grants authorized under Title IV of the "Higher Education Act of 1965," 20 U.S.C.A. 1070 et seq., as amended, shall be required to maintain a bond in the penal sum of ten thousand dollars plus fifty percent of the school's prepaid tuition revenue that exceeds one hundred thousand dollars as calculated by board.
- (F) Term of bond
- (1) New schools registered with the board and the schools changing ownership on or after the effective date of this rule shall be required to maintain a bond for a minimum period of five years. After five years, a school may request that it permitted to cancel its bond. The board may allow any school that falls within the minimum bonding requirement of ten thousand dollars to cancel its bond if the school has demonstrated that it meets the board's standards of fiscal responsibility.
 - (2) Schools currently registered with the board on the effective date of this rule that were required by the board to maintain a bond prior to the effective date of this rule, shall be required to obtain a bond meeting the conditions of this rule within sixty days of the effective date of this rule.
 - (3) Schools holding a certificate of registration that were not required by the board to maintain a bond prior to the effective date of this rule, will not be required to maintain a bond under the provisions of this rule unless the school falls within the provisions of section (E)(2) of this rule.
- (G) Letters of credit, certificates of deposit, government bonds or cash deposited with the board in lieu of a surety bond are subject to the same conditions as are provided for in the surety bond required by this rule. Each letter of credit, certificate of deposit, government bond or cash shall be filed in accordance with the forms and instructions provided by the board.

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