



Model Letter of Credit

Employers may submit a Letter of Credit to fulfill the security requirements of an approved voluntary plan.

The letter must be issued by either a:

- Federally chartered bank or savings institution.
- California chartered bank or savings institution.
- Any foreign or domestic bank or savings institution.

The issuing bank/institution must have a domestic branch office in the continental United States from which funds can be requested and be paid on demand.

Required Credit Rating of the Letter of Credit Bank

At the time the letter is issued, the issuing bank/institution is required to have an acceptable credit rating as listed below:

- (1) An "Aaa", "Aa", or "A" long term certificate of deposit (CD) rating for the bank or savings institution in the current monthly edition of "Moody's Statistical Handbook" prepared by Moody's Investors Service, Inc., New York.
- (2) An "AAA", "AA", or "A" long term certificate of deposit (CD) rating for the bank or savings institution in the current quarterly edition or monthly supplement of "Financial Institutions Ratings" prepared by Standard & Poor's Corporation, New York.
- (3) An "AAA", "AA+", or "AA" credit quality rating for the issuing financial institution along with a CD/Debt Credit Limit Code above the dollar amount of the Letter of Credit as well as a Credit Limit Maturity Code of "a, b, c, or d" in the current annual edition of "GFI Credit Rating", or the latest monthly "GFI Bank Letter" supplement.

The issuing bank/institution must meet the acceptable credit rating at the date of issuance of this letter. Within 60 days of the publication of an unacceptable rating, the applicant must either:

- Replace the Letter of Credit with cash, guarantee bond, or another Letter of Credit issued by a different bank/institution with an acceptable credit rating.
- Submit a confirming Letter of Credit issued by a different bank/institution with an acceptable credit rating for the length of participation by the issuing bank/institution.

If the applicant fails to complete the requirements above, then the beneficiary may demand payment for the maximum amount of the issuing bank/institution's liability under this letter.

A Certificate of Drawing is required to make the demand of payment and is processed under the conditions described in the "Documents Required" section. Payment is to be made by the issuing bank/institution no later than the third business day after the date of the certificate and draft is presented by the beneficiary.

This Model Letter of Credit is referenced in the California Code of Regulations (CCR) and specifies the required information that must appear in an acceptable document (CCR, Title 22, Section 3258-2).

Bank Institution

Name of Issuing Bank/Institution

Address

City, State, ZIP Code

Irrevocable Standby Letter of Credit

Number

Date of Issue

Applicant

Legal Name of Voluntary Plan Self-Insurer

Address

City, State, ZIP Code

Beneficiary

Employment Development Department
State of California
1416 9th Street, MIC 29VP
Sacramento, CA 95814

Date and Place of Expiration

Month Day Year

Name of US Branch

Address

City, State, ZIP Code

Letter of Credit Amount

U.S. _____
Spell Out Amount in US Dollars

Credit available with: Name of Bank/Savings Institution by sight payment against presentation of the documents detailed below and your draft(s) during normal business hours at Name of Bank/Savings Institution drawn on Name of Bank/Savings Institution at the request and for the account of the following named party: Legal Name of Voluntary Plan Self-Insurer.

The undersigned issuing bank/institution hereby establishes in your favor this irrevocable Letter of Credit in the amount of U.S. Dollars \$Amount payable within three (3) business days (as hereinafter defined) after presentation to: Name of Institution, Address, City, State, ZIP Code of demand for payment in the form described above in page two.

Drawings honored by the issuing bank/institution under this Letter of Credit shall not exceed the total amount of credit set forth above.

Documents Required

Demand for payment may be made to the issuing bank/institution address listed above with a Certificate of Drawing. The certificate must be completed by the director of the Employment Development Department or the manager of the Voluntary Plan group certifying that the applicant has done any or all of the following:

- Fails to pay its Voluntary Plan liabilities.
- Files for bankruptcy.
- Fails to provide proof of renewal or acceptable substitute security with the Employment Development Department by 30 days prior to the expiration date of the Letter of Credit.
- Fails to renew or substitute acceptable security for the six quarter period following the withdrawal of a self-insured plan pursuant to Section 3254(g) or Section 3255(g) of the California Unemployment Insurance Code, or upon termination of a plan pursuant to Section 3262-1 of Title 22, California Code of Regulations.

The issuing bank/institution hereby agrees that all demands for payment hereunder in compliance with the terms of this Letter of Credit will be properly honored by the Letter of Credit Institution upon delivery of the certificate as specified above and if presentation is made on or before the expiration date. Demand for payment may be made under the Letter of Credit at any time during business hours of the issuing bank/institution.

Extension of Expiration Date (Evergreen Clause)

The expiration date of this Letter of Credit will be automatically extended for an additional one year from the expiration date or any subsequent expiration date. If the issuing bank/institution elects not to renew the credit, they must notify the beneficiary no less than 60 days prior to the expiration date in writing by registered or overnight mail to the Beneficiary address listed above.

Payment by Wire Transfer Only

Payment of any amount under this Letter of Credit by the issuing or confirming bank/institution shall be made only by wire transfer in the name of "The Employment Development Department

SAMPLE, this page for reference only.

in Trust for (Legal Name of the Self-Insurer)” to the Bank of America, Sacramento Main #1489 for credit to State of California Account #01482-80005, ABA #121000358, Ref. 407.

Legal Proceedings

If legal proceedings are initiated by any party with respect to the payment of the Letter of Credit, the issuing bank/institution agrees that such proceedings shall be the jurisdiction of California courts and administrative agencies and subject to California law.

Miscellaneous Provisions

1. Except as stated herein, this irrevocable Letter of Credit is not subject to any condition or qualification by the issuing or confirming bank/institution and the obligation of the issuing bank/institution is in no way conditional upon reimbursement.
2. We hereby issue this Documentary Credit in your favor. It is subject to the Uniform Customs and Practice for Documentary Credits, 2007 revision, International Chamber of Commerce Publication No. 600, and engages us in accordance with the terms thereof. The number and the date of the Letter of Credit and the name of our bank must be quoted on all required drafts.
3. “Business day” means a day on which banks and savings institutions are open for business in the city and state where the agent bank/savings institution is located.
4. Wire transfer fees and discrepancy fees, if any, shall be payable by the applicant.

 Authorized Counter Signature

 Typed or Printed Name

 Title/Position

 Authorized Counter Signature

 Typed or Printed Name

 Title/Position