

# MEMORANDUM OF UNDERSTANDING IRREVOCABLE LETTER OF CREDIT

This is a Memorandum of Understanding between \_\_\_\_\_ Professional Employer Organization (PEO) and the Montana Department of Labor and Industry, Employment Relations Division, Workers' Compensation Regulation Bureau.

WHEREAS, the PEO has applied for the privilege of operating in Montana as a licensed Professional Employer Organization under the obligations of the Professional Employer Organizations and Group Licensing Act; and

WHEREAS, the Department has reviewed the application and will approve the application contingent upon the PEO posting a security in the amount of \$100,000.00; and

WHEREAS, the PEO wishes to meet this security requirement by posting a Letter of Credit issued by the \_\_\_\_\_,

which is a duly chartered commercial bank located in the United States:

THEREFORE, the department and the PEO agree as follows:

1. The Letter of Credit is being furnished to the department in lieu of a surety bond in order to meet the conditions for approval of licensed Professional Employer Organization status.
2. Unless the department is notified otherwise by registered mail at least 60 days before an expiry date, the Letter of Credit will be automatically extended without amendment for an additional one year period.
3. The PEO may, at any time, substitute a surety bond in an amount equal to the Letter of Credit. The surety bond furnished shall be subject to the prior approval of the department.
4. If the department is notified that the Letter of Credit will not be renewed and a new Letter of Credit acceptable to the department is not filed, the department may, in its discretion draw on the Letter of Credit.
5. If, after licensure, an applicant (PEO) defaults in paying wages or payroll-related taxes or in meeting any liability arising pursuant to Title 39, chapters 8, 71 and 72, the Letter of Credit may be used to meet those obligations.
6. All proceeds resulting from the department drawing on the Letter of Credit shall be deposited in a special account and shall only be used to pay payroll-related taxes and workers' compensation claims which are the PEO's responsibility.
7. The Letter of Credit and the Memorandum of Understanding shall be governed by and interpreted under the laws of Montana. Any action with respect to the Letter of Credit may be brought in a Montana state court and the PEO shall consent to the court's personal jurisdiction over the PEO in that action.
8. As used in this Memorandum of Understanding, "Professional Employer Organization" means the entity that is making application to be licensed and operate in Montana.
9. This Memorandum of Understanding is effective on \_\_\_\_\_, 20\_\_.

PROFESSIONAL EMPLOYER ORGANIZATION: \_\_\_\_\_

By: \_\_\_\_\_  
(Controlling Person Signature and Title)

DATE: \_\_\_\_\_

DEPARTMENT OF LABOR  
EMPLOYMENT RELATIONS DIVISION  
WORKERS' COMPENSATION REGULATION BUREAU

By: \_\_\_\_\_  
(Name and Title)

DATE: \_\_\_\_\_