ILOC Program
Presented by Tim Vogler, CEO
United Labor Credit Union
Introduction

- Tim Vogler
- United Labor Credit Union
- Experience
- Contact me:
  - Office: (816) 313–2848
  - Tim@UnitedLaborCU.org
Why we’re here …

- You want to be a Union contractor
- You need to know more about the costs of doing business
- A “bond” is likely necessary to start your own company
  - Surety Bond
  - Irrevocable Letter of Credit
A bond is a guarantee of payment if you’re found liable for something
In this case, it’s your liability to pay wages and fringe benefits to your employees for work they perform for your company
The bond guarantor will fulfill the terms of the bond if you don’t
Surety Bond

- Is typically purchased from an insurance company, or licensed bond broker
- A bond doesn’t alleviate your own liability, like an insurance policy
- It is a *Line* of Credit
- Is a large expense (ongoing) – you purchase the costly premium annually or semi-annually
Purchasing a Surety Bond

- You’ll need to show your financial statements to your bond broker or insurance agent
- Employment verification
- Credit check – may need collateral
- Your spouse must sign any surety bond application
- Takes about a week
- Bonded person is then responsible for repaying any expenses incurred by the bonding company
ILOC Program

- Conversely, is an investment, not an expense
- Two documents that bind your agreement with the Union, in the event that wages and fringes are not paid
  - See examples
    - Standby Irrevocable Letter of Credit
    - Agreement Evidencing Letter of Credit Reimbursement Obligation and Pledge of Shares
STANDBY IRREVOCABLE LETTER OF CREDIT
FEBRUARY 10, 2011

No. One Hundred One (101)

To: Local Union No. XXX Pension Fund
    Annuity/401K Trust Fund
    Local Union No. XXX Health and Welfare Fund
    Local Union No. XXX Vacation and Holiday Trust Fund
    Apprenticeship and Training Trust Fund
    National Benefit Fund
    Administrative Maintenance Fund (AMF)
    Labor Management Cooperative Trust (LMCC)
    Local Union No. XXXX

Referred to herein as Beneficiary

Attention: Joe Smith, Business Manager
           Local Union No. XXXX
           1234 1st ST.
           Kansas City, Missouri 64114

Effective Date: February 10, 2011

Gentlemen:

We hereby agree, in your collective favor, our irrevocable credit for the account of ABC SERVICE COMPANY for an amount or amounts not to exceed in the aggregate Five Thousand U.S. Dollars ($5,000.00) available by your drafts at sight on the United Labor Credit Union effective 2/10/11. Our irrevocable credit shall continue to remain in full force and effect until cancelled by giving thirty (30) days’ notice in writing to any Beneficiary. Our irrevocable credit shall be deemed cancelled at the expiration of said thirty (30) days; provided, however, that such cancellation shall not relieve United Labor Credit Union of any liability which shall have accrued prior to the expiration date of the cancellation. We hereby authorize you to draw on ourselves for the account of ABC Service Company up to an aggregate amount of Five Thousand Dollars ($5,000.00) available by your drafts at sight accompanied by the following document:

Beneficiary’s affidavit executed by the Chairman or Secretary of the Board of Trustees as follows: “In accordance with ABC Service Company collective bargaining agreement(s) requiring contributions to the benefit plan contributions which remain unpaid for fifteen (15) days or more from the date payable under the collective bargaining agreement(s), and we further certify that ABC Service Company has notified us of our intent to draw under the credit.”

Drafts must be drawn and negotiated at 6130 Manchester Ave Suite 4C Kansas City Missouri 64133. Each Draft must state it is drawn under the irrevocable Letter of Credit No. One Hundred One (101) dated February 10, 2011. In no event will the letter of credit be terminated prior to cancellation as provided for herein.

We hereby agree, endorsers and bona fide holders of all drafts drawn under and in compliance with the terms of this letter of credit that such drafts will be duly honored upon presentation to the drawee, at the address above on or before the expiration date. All drawing under this letter of credit must be accompanied by the original letter of credit No. 101.

This letter of credit is governed by Article 5 (letters of Credit) of the Uniform Commercial Code in affect on the date of issuance of this Letter of Credit in the State of Missouri.

United Labor Credit Union

Tim Vogler
Title: President
AGREEMENT EVIDENCING LETTER OF CREDIT REIMBURSEMENT OBLIGATION AND PLEDGE OF SHARES

To: United Labor Credit Union  
Date: March 6, 2012  
Kansas City, Missouri

In consideration of United Labor Credit Union issuing at the request of the undersigned a Letter of Credit (as described below), on behalf of ABC SERVICE COMPANY, the undersigned, jointly and severally, promise and agree to pay ON DEMAND to the order of United Labor Credit Union (the “Lender”) at its offices in Kansas City, Missouri, or at such other place as may be designated in writing by the holder, the principal sum of Ten Thousand and No/100 Dollars ($10,000.00), or so much thereof as may be advanced by the Lender on account of a draw on the Letter of Credit, together with interest from the date of any such advance on the unpaid principal balance outstanding from time to time hereon computed from the date of each advance until demand, with interest at the rate of 0% per annum.

This Agreement is executed in connection with the issuance by Lender on the account of the undersigned of that certain Standby Irrevocable Letter of Credit No. ONE HUNDRED SEVEN (107), in the face amount of Ten Thousand and No/100 Dollars ($10,000.00) issued of even date herewith by the Lender, in favor of District Council No.3 Pension Fund, District Council No. 3 Health and Welfare Fund ("Beneficiary") including any renewals, extensions or modifications thereof (the "Letter of Credit").

Any amounts due under this Agreement shall be payable on demand at any time after Lender has paid any amounts pursuant to the Letter of Credit or any draws have been made under the Letter of Credit.

The undersigned will indemnify and hold United Labor Credit Union harmless from and against any and all loss, costs, damages and expenses which it may incur or sustain by reason of being a party to the Letter of Credit.

In the event of default, the undersigned shall pay all costs of collection, including reasonable attorney’s fees.

As security for payments made or loss incurred by United Labor Credit Union arising by reason of the issuance of the above-referenced Letter of Credit, the undersigned hereby grants Lender a security interest in and pledge of all shares and deposits with Lender in all joint and individual accounts the undersigned has with Lender now and in the future, (except any Individual Retirement Account or any other account that would cause special tax treatment under state or federal law if given as security), including but not limited to the following: Account No.

The access to this account shall be restricted until such time as the Letter of Credit is paid in full or until thirty days after the effective cancellation date of the Letter of Credit.

Lender shall have the right without giving the undersigned advance notice to apply these shares and deposits to any and all amounts the undersigned owes under this agreement if a payment is made by Lender under the above-referenced Letter of Credit or if Lender should suffer any other loss, costs, damages and expenses.

___________________________  ______________________________
JOE A. OWNER  DATE
ILOC Program

- Available at United Labor Credit Union
- Membership share ($50)
- Deposit in amount required by Union
  - Earns you dividends
  - Funds are insured up to at least $250,000
- No premium or cost to obtain an ILOC
Required Paperwork

- Articles of Incorporation showing company owners, who has ability to enter into contracts
  - For example: Operating Agreement, Certificate of Amendment, Articles of Organization
- Proof of Tax ID/FEIN
- Photo ID
- Referral letter from Union, if no current Union card is available
Questions?
Contact Me

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- Experience

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