

INSTRUCTIONS FOR IRREVOCABLE LETTER OF CREDIT

The following language must be included in an irrevocable letter of credit issued by a bank insured by the Federal Deposit Insurance Corporation and in a form acceptable to the Attorney General in order to comply with North Carolina's Prepaid Entertainment Contracts statute:¹

1. This irrevocable letter of credit is intended to comply with the requirements of Chapter 66, Article 21 of the North Carolina General Statutes (N.C.G.S. § 66-124(a)(7)) and is issued for _____(full business name) located at _____(facility physical address).
2. This letter of credit is effective as of _____ and shall expire on _____, provided that such expiration date shall be automatically extended for a period of one year on and each year thereafter so that the expiration date will remain two (2) years from July 30 of any year, unless at least 30 days before the current date for the automatic renewal, the bank shall notify the Consumer Protection Division of the North Carolina Attorney General's office at 9001 Mail Service Center, Raleigh, North Carolina 27699-9001, by certified mail that the letter of credit will not be extended beyond the current expiration date.
3. The amount of coverage provided by this letter of credit is subject to change by amendment on March 30 and September 30 of each year when the principal must file a sworn statement of outstanding liability with the Attorney General. This change shall not affect the other terms of the letter of credit.
4. The beneficiary of the letter of credit is the State of North Carolina. This letter of credit is payable on sight if the facility closes or files for bankruptcy protection.
5. This letter of credit shall be construed under the laws of North Carolina. Any action regarding the terms of this letter of credit shall be filed in a North Carolina court of competent jurisdiction.

PLEASE NOTE:

The effective and expiration dates in paragraph 2 are subject to change depending on when the letter of credit is issued. The dates in paragraph 3 correspond to the dates on which each facility must file its outstanding liabilities statement and thus are not subject to change.

The term of the letter of credit must be one year more than the longest term of the prepaid membership offered. The statute provides the maximum term for a prepaid membership is three years, and thus the maximum limit for a letter of credit would be four years.

The original fully executed letter of credit must be mailed to:

North Carolina Attorney General's Office
Consumer Protection Division
9001 Mail Service Center
Raleigh, NC 27699-9001

¹ The Prepaid Entertainment Contracts statute (N.C. G. S. §§ 66-118 through 66-130) is available in its entirety on the North Carolina General Assembly's Web site:
http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/ByArticle/Chapter_66/Article_21.html.