

EXHIBIT A: PEO PARTICIPATION AGREEMENT

THIS AGREEMENT is made and entered into by and between the Employer Services Assurance Corporation ("ESAC"), and _____ ("Participant").

A. PURPOSE.

The purpose of this Agreement is to set forth the rights and obligations of the Participant and ESAC under the terms of the Client Assurance Program and the Employer Services Trust ("Trust").

B. DEFINITIONS.

1. **"Affidavit of Compliance Bond"** means any bond posted or deposited with or provided to any state agency by ESAC or on ESAC's behalf for the benefit of its accredited PEOs, where such bond is intended to be in lieu of certain financial responsibilities or obligations of the Participant under applicable state licensing or registration laws to which the Participant is subject.
2. **"Business Days"** means Monday through Friday excluding those legal holidays on which national banks are closed.
3. **"Client Participation Certificate"** means the certificate setting forth the terms and conditions pursuant to which the Trust and ESAC Surety(ies) may be obligated to the Covered Client, the current version of which is attached hereto as Attachment A, as the same may be amended from time to time.
4. **"Client Assurance Program"** means the obligations of the Trust, as funded by Surety Bonds, pursuant to the Client Participation Certificate, a copy of which is attached hereto as Attachment A.
5. **"Client Assurance Program Obligation"** means the payment obligations by the Trust and ESAC Surety(ies) with respect to a Covered Client of the Financial Obligations of the Participant in the event of a Default, subject to the terms, conditions and limitations set forth in the Client Participation Certificate (Attachment A).
6. **"Complaint"** means a written or oral communication received by ESAC from any person alleging, or information developed or obtained by ESAC that could result in, a Failure by the Participant to perform one or more Financial Obligations.
7. **"Covered Client"** means a client of the Participant that has executed a written service contract with the Participant pursuant to which Worksite Employees provide services to such client and that has been enrolled in the Client Assurance Program by Participant notifying and providing ESAC the requisite information concerning such client.
8. **"Compliance Committee"** means the committee of ESAC, as constituted according to its bylaws, the function of which under this Agreement shall be to determine if a Default has occurred.
9. **"Default"** by a Participant means the failure of the Participant to perform any of its Financial Obligations.
10. **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended.
11. **"Failure"** means either a "Reported Failure" or a "Substantial Failure."
12. **"Financial Obligations"** means any or all of those obligations set forth below:
 - a) **"Employee Benefit Obligation"** means the obligation of the Participant to collect and properly remit any elective or voluntary contributions by Worksite Employees with respect to any employee benefit plan as defined in Section 3(3) of ERISA sponsored or co-sponsored by the Participant. Employee Benefit Obligations are Financial Obligations to the extent such contributions were collected by the Participant but not paid over to the policy, plan or other funding vehicle for such employee benefit plan. Notwithstanding any provision of this Agreement: the obligations of the Trust are not "plan assets"; and, ESAC, the Trust or their agents are not "fiduciaries" within the meaning of ERISA.
 - b) **"Employment Tax Obligation"** means the Participant's obligation with respect to Worksite Employees to report and pay in a timely and accurate manner the amount of its liability under applicable law for payment and withholding of federal, state and local income taxes and employment taxes, and FICA and Medicare taxes, but not including any gross receipt taxes, sales taxes or use taxes.
 - c) **"Life and Health Insurance Premium Obligation"** means the obligation of the Participant to pay when due premiums, not subject to a good faith reasonable dispute, for life or health insurance coverage pursuant to a Fully Insured group life insurance plan, as defined in Section 79 of the Internal Revenue Code, or a Fully Insured group health plan, as defined in Section 5000 of the Internal Revenue Code, sponsored by the Participant for the benefit of its Worksite Employees.
 - d) **"Wage Obligation"** means the obligation of the Participant to pay wages due to its Worksite Employees according to applicable law on or before the date when such payment is due. "Wages" means cash compensation payable to Worksite Employees in the ordinary course of business for which a Covered Client has paid all PEO service fees related to such compensation.
 - e) **"Workers' Compensation Insurance Premium Obligation"** means the obligation of the Participant to pay when due workers' compensation premiums, not subject to a good faith reasonable dispute, with respect to a Fully Insured workers' compensation policy issued to the Participant for the benefit of its Worksite Employees.
 - f) For the purposes of this Agreement, "Fully Insured" insurance plan means any plan of insurance that is fully insured by a duly licensed carrier. If a portion of the premium cost is determined retrospectively, the Financial Obligation is limited to that portion of the premium that was due to be paid in advance or within a policy period without regard to the amounts of claims.
13. **"ESAC"** means the Employer Services Assurance Corporation.
14. **"ESAC Surety(ies)"** means any duly licensed entity that has issued a Surety Bond to the Trust.
15. **"Participation Fees"** means those fees set by ESAC for accreditation and participation in the Client Assurance Program and contained in the *Standards and Procedures* as may be amended from time to time.
16. **"Participant"** means a professional employer organization that is accredited by ESAC and has become a participant in ESAC's Client Assurance Program by executing and complying with the terms of this Agreement.
17. **"Regulatory Agency"** means any federal, state or local agency whose function includes or pertains to the regulation of professional employer organizations or their operations.
18. **"Reported Failure"** means one or more Complaints, provided the number of such Complaints does not constitute a Substantial Failure, if such Complaint(s) are not dismissed as provided in Article J, Section 4 below.
19. **"Standards and Procedures"** means the standards and procedures for accreditation and participation in the Client Assurance Program established by ESAC, as amended from time to time.
20. **"Substantial Failure"** means (a) Complaints made by, or on behalf of, the greater of five (5) Covered Clients or one percent (1%) of Covered Clients of the Participant, if such Complaint(s) are not dismissed as provided in Article J, Section 5 below or (b) Complaints determined by the Compliance Committee to pose a substantial risk to the Client Assurance Program.
21. **"Surety Bond"** means a surety bond of which the Participant is the principal and the Trust for the benefit of Covered Clients is the obligee.
22. **"Trust"** means that certain trust indenture initially entered into the 22nd day of December 1999, known as the "Employer Services Trust," by and between ESAC and the Trustee(s) who have executed the instrument, as may be amended from time to time.

23. **“Trustee”** means the person who holds the office of Trustee under the Trust.
24. **“Worksite Employee”** means any person whose employment status with the Participant has been recognized by completion of Internal Revenue Service Form W-4, who is treated as an employee of the Participant on its payroll records, and who provides services for a Covered Client.

C. TERM.

This Agreement shall commence on the date on which the Agreement is executed by a duly authorized representative of ESAC, following execution by a duly authorized representative of the Participant. The Agreement shall remain in effect until terminated in accordance with the provisions of Article L as set forth below.

D. CONDITIONS OF PARTICIPATION.

The following shall be conditions which a Participant must meet on the effective date of this Agreement and which must be continually met during the term of participation:

1. **ESAC Accreditation.** The Participant must be accredited in good standing by ESAC, maintain such accreditation, and abide by ESAC’s *Standards and Procedures* during the term of this Agreement. If the Participant ceases to be accredited for any reason, it shall immediately cease to be a Participant.
2. **Representations and Warranties.** The representations and warranties contained in Article G shall be true and correct as of the date of this Agreement and shall continue to be true and correct at any time while this Agreement is effective.
3. **Surety Indemnification Agreement and Bond.** The Participant has executed and complied with an Indemnity agreement in favor of the ESAC Surety(ies) in the form set forth in Attachment B and has executed as the Principal the bond form set forth in Attachment B.
4. **Payment of Accreditation Fees and Assessments.** The Participant agrees to pay when due all Accreditation Fees and Assessments as provided in this Agreement.

E. ASSESSMENTS.

1. **Compliance Assessment.** In addition to the Accreditation Fees, the Participant agrees to pay a special assessment (“Compliance Assessment”) in the event that any state agency gives notice to ESAC of the agency’s intent to file a claim against an Affidavit of Compliance Bond because of an alleged default by the Participant. In such case, the Participant shall pay to ESAC, within ten (10) days of written notice, a cash deposit equal to the lesser of (i) the Affidavit of Compliance Bond(s) against which ESAC has received notice of intent to claim, or (ii) the amount of such claim(s). The obligation set forth in this Section E.1. shall be absolute and unconditional upon receipt of written notice described above. However, ESAC shall cooperate with the Participant so as to permit the Participant who has made such a cash deposit to exercise all of its legal rights to contest the validity or enforceability of the claim made against such Participant. ESAC shall promptly return to the Participant any portion of any cash deposit returned to ESAC from an applicable state agency or court. Failure to pay a Compliance Assessment to ESAC within ten (10) days of written notice shall result in an immediate Involuntary Termination of Accreditation, as defined in the *Standards and Procedures*, which is not subject to appeal.
2. **Recovery Assessments.** In addition to any other fees and assessments, the Participant agrees to pay a recovery assessment (“Recovery Assessment”) in the event that Participant provides services to an entity that was a Covered Client of a Participant PEO that defaulted (“Defaulted PEO”) within 365 days of the date of such Default. Participant agrees to pay the Trust or its subrogees the monthly Recovery Assessment by not later than the 15th day of the month following the month in which wages were paid. The Recovery Assessment shall equal twenty-five percent of all administrative fees paid by such client, or its successors in interest. Participant shall pay the Recovery Assessment until (i) the client or successor in interest is no longer a client of the Participant, or (ii) the Trust or its subrogees have recovered 100% of the aggregate of all claims paid related to the Default of the Defaulted PEO, considering all amounts received by the Trust other than the proceeds of any Surety Bond.

Participants shall provide documentation to verify the amount of wages upon which the Recovery Assessment is based and shall provide access to such other records as deemed relevant by ESAC for such verification.

3. **Disputed Recovery Assessments.** In the event a Participant, in good faith, has a bona fide dispute as to the amount of any assessment permitted under this Agreement, Participant shall notify ESAC within five (5) Business Days following receipt of notice of such assessment of the amount that it disputes and the basis and grounds for such dispute. Such notice shall be in writing. The Participant further agrees to provide any additional information regarding such dispute as may be requested by ESAC. Participant further agrees to pay any amount of such assessment, or any additional assessments, for which it does not have a good faith dispute. Any unresolved dispute regarding assessments shall be submitted to mediation and arbitration under this Agreement.
4. Recovery Assessments shall be payable to ESAC within the later of (i) thirty (30) days following the due date of payment of such Recovery Assessments, or (ii) ten (10) Business Days following the final determination of any disputed Recovery Assessments.

F. INFORMATION PROVIDED TO PARTICIPANTS.

In order to maximize the opportunity to collect Recovery Assessments to offset any losses that the Trust and ESAC Surety(ies) may incur due to a Default of a Participant PEO (“Defaulted PEO”), ESAC shall assist any interested Participant PEOs in making service proposals to the clients of a Defaulted PEO as quickly and efficiently as possible. On determining that a Participant is in Default, ESAC shall endeavor to collect from all clients of the Defaulted PEO information required for Participant PEOs to make a proposal for services. ESAC shall furnish a copy of such information to all Participants. The nature and form of the information necessary for preparing proposals will be that which has been previously developed and approved by the majority of Participants.

G. PARTICIPANT’S REPRESENTATIONS AND WARRANTIES.

The Participant makes the following representations and warranties that shall remain true and correct so long as this Agreement shall be in effect:

1. The Participant shall not utilize capital (whether equity or debt or a combination thereof) to be invested, advanced or loaned to the Participant until the third party making such investment is legally bound to do so pursuant to one or more writings that are enforceable against such third party by the Participant. Further, the Participant shall not incur obligations for which the ability to repay is contingent upon such a future investment, advance or loan unless and until the third party to make such investment, advance or loan is legally obligated to do so pursuant to one or more writings enforceable by the Participant against such third party.
2. Participant shall adopt payment and credit policies and monitoring procedures that represent reasonable practices and procedures within the industry. Participant shall require all clients to agree to adhere to such policies and procedures. Such credit policies and monitoring procedures shall substantially conform to the following standards:
 - a) Credit will not be extended to any client for the payment of service fees except under one of the following conditions:
 - i. Client has a timely credit payment history as verified by its history with the Participant or by other reliable credit firm(s).
 - ii. Client provides a surety indemnification, cash deposit, bank certificate of deposit, bank letter of credit, or some other acceptable surety for the estimated service fee amount to be extended as credit.
 - iii. Client provides the personal guarantee of its officer(s) or owner(s) whose credit worthiness has been verified by audited financial statements, tax returns, or background credit check.
 - b) The payment of invoiced client service fees will be made by all clients each pay period in accordance with the terms of the client service agreement and will be monitored and enforced in the following manner:
 - i. All invoiced service fees shall be paid in full by all clients such that verifiable funds are received by the Participant within not more than one (1) Business Day after each payday for Worksite Employees assigned to the client.

- ii. A receivables report covering all clients will be reviewed by a responsible PEO manager each Business Day for verification of the timely payment of all invoiced amounts by each client.
 - iii. Any client, except those approved for credit as provided for in 2(a) above, that has not paid all invoiced amounts in a timely manner will be contacted immediately and shall not be given more than one pay period to cure the default, with notice that failure to cure the default will result in immediate termination of the service agreement and termination or transfer of the assigned Worksite Employees. Nothing herein shall prevent an accredited PEO from establishing or enforcing a more conservative accounts receivable collections policy.
 - iv. In the case of any termination of a client service agreement for any reason, all Worksite Employees assigned to the client will be immediately notified in writing of their termination or transfer to another client worksite of the Participant.
3. As of the date of this Agreement, the Participant has consulted with counsel duly qualified to advise it in the area of federal, state and local regulations pertaining to the operation of a professional employer organization; and Participant shall at all times comply with applicable law and regulations regarding its business and operational procedures and will take such steps as it deems reasonably necessary in order to limit its exposure to adverse fines and penalties to which it might otherwise become subject.
4. Participant shall create, maintain and adhere to pricing procedures and models, business plans, and internal control and audit procedures reasonably prudent in order for a professional employer organization to prevent acts of infidelity by either owners or employees and to maintain its financial and operational integrity.
5. The annual audited financial statements and internal financial statements required to be presented to ESAC and to its Surety(ies) as set forth in the *Standards and Procedures*, are true and correct and fairly representative of the Participant's financial condition and other results of operations for the period reported.
6. Except as disclosed on Attachment C attached hereto, during the five (5) years ending with the effective date hereof, Participant has not incurred a loss or claim in excess of \$25,000 on account of fraud or dishonesty of any officer or employee.
7. Except as disclosed on Attachment C attached hereto, during the five (5) years ending with the effective date hereof, Participant has not incurred a loss or claim in excess of \$25,000 on account of errors or omissions of the type for which coverage is generally available under the errors and omissions policy required to be maintained by the Participant in accordance with *Standards and Procedures*.
8. Except as disclosed on Attachment C, attached hereto, Participant has no knowledge of any facts or circumstances that may give rise to a claim that, if it had occurred within the past five (5) years, would require disclosure pursuant to Sections 6 or 7 of this Article.

H. CLIENT ASSURANCE PROGRAM.

1. **Extent of Client Assurance Program.** So long as this Agreement is in effect, any person who is a Covered Client of the Participant and who is in compliance with the conditions of coverage set forth in the Client Participation Certificate (Attachment A) shall, if a Default with respect to the Participant has occurred, be entitled to reimbursement or payment of any Client Assurance Program Obligations, subject to the terms, conditions and limitations set forth in the Client Participation Certificate (Attachment A).
2. **Representations by Participant.**
 - a) Participants shall not make any statement that contains a material misrepresentation of the terms, conditions or benefits of the Client Assurance Program provided to a Covered Client by the Trust.
 - b) Representations by the Participant shall be limited to those specifically contained in this Participation Agreement, the Bylaws of ESAC, the Client Participation Certificate (Attachment A), or other material published by ESAC.
 - c) Violation of the terms of 2.a) or 2.b), above, by the Participant or its representative shall constitute a Default of this Agreement.
3. **Applicable Procedures.** In order for ESAC's Surety to provide bond coverage for its clients, a Participant must maintain with ESAC a list of all PEO clients, updated at least monthly, including such

information as ESAC shall require to enroll clients in ESAC's Client Assurance Program, and information required by state licensing and registration agencies as a condition of approving ESAC ("PEO Client List"). Participant must also provide each new client an electronic copy of the Participant's Certificate of Accreditation and the Client Participation Certificate (Attachment A). A Participant retains primary responsibility to provide this information to each of its Covered Clients and to notify its Covered Clients in this regard. However, upon a Participant's request and consent, ESAC agrees to provide the Participant's clients with the Certificate of Accreditation and Participation Certificate as part of its accreditation services. The Participant may also elect to have ESAC send to its Covered Clients periodic electronic confirmations of the Participant's continuing accreditation. ESAC will provide clients methods to independently verify the Participant's continued accreditation and the client's enrollment in the Client Assurance Program.

I. INDEMNIFICATION AND RELEASE.

Participant agrees to indemnify, protect and hold harmless ESAC, the Trust, ESAC's Compliance Committee members, Claims Committee members, ESAC accredited PEOs and their representatives with respect to actions of their representatives while serving in any official volunteer capacity with ESAC and ESAC Surety(ies), and the respective affiliates, officers, directors, employees, attorneys, agents, trustees, representatives, successors and assigns of each (all of the aforementioned indemnified parties referred to as "Indemnified Parties") from and against any and all liability, expense (including court costs and attorneys' fees), and claims for damage of any nature whatsoever, whether known or unknown as though expressly set forth and described herein, which Indemnified Parties may incur, suffer, become liable for, or which may be asserted or claimed against one or more Indemnified Parties as a result of one or more Defaults or alleged Defaults, as defined herein, or as a result of performing responsibilities related to the Client Assurance Program caused by such Default by the Participant. The duty to indemnify includes the duty to pay any award imposed by an administrative agency or judgment or settlement reached in a court action.

The indemnification contained in this Agreement shall specifically include all costs, including court costs, reasonable attorneys' fees and expenses incurred in connection with the enforcement of any such indemnification. If it is necessary for an Indemnified Party entitled to indemnification to pay any judgment, order or decree, all costs and expenses thereof incurred by Indemnified Party entitled to indemnification, including all court costs and reasonable attorney's fees, costs and expenses, and further including any such attorneys' fees or expenses incurred in enforcing the provisions of such indemnification, shall be paid by the Participant to Indemnified Party entitled to indemnification within ten (10) Business Days from receipt of written demand by Indemnified Party entitled to indemnification, together with interest from the date of payment of the amount to be indemnified paid at 5% per annum plus the federal primary credit rate on advances to member banks in effect at the Federal Reserve Bank of St. Louis on the date or dates of payment.

No Indemnified Party shall be liable for any decision, election or other action or nonaction taken or not taken including without limitation, the exercise or non-exercise of any discretionary authority granted or available to such Indemnified Party pursuant to this Agreement, ESAC Bylaws, or the *Standards and Procedures*, as such may be amended from time to time, provided such person acted in good faith in so acting. On behalf of itself, its affiliates, officers, directors, agents, representatives and successors and assigns, the Participant releases each and every ESAC Indemnified Party for any decision, election or other action or nonaction taken or not taken provided such person acted in good faith in so acting, without regard to fault or negligence.

Participant, on behalf of itself and its successors and assigns, releases any person, including without limitation, a Covered Client, its officers, directors, and agents, and Worksite Employees from any claim that Participant, its affiliates, officers, directors, employees, agents, representatives, successors or assigns might have, either now or in the future on account of, or arising out of, any allegation of a Default hereunder so long as such person acted in good faith. It is intended that the foregoing release shall constitute qualified immunity from liability

for defamation, libel and slander. Such qualified immunity shall not apply only if it is shown by Participant that such allegation was false and made willfully with the intent to damage or injure Participant or was otherwise made with malice.

J. DEFAULT.

1. Upon the discovery or receipt of an allegation of a Default or a possible occurrence of a Default, the Compliance Committee and the Participant shall be immediately notified of the allegation or occurrence.
2. In the case of one or more Complaints, the Participant shall be deemed to be in Default (a) in the case of a Reported Failure, at such time as set forth in Section 4 below; or (b) in the case of a Substantial Failure, at such time as set forth in Section 5 below. In either case, at such time as determined in Section 4 or 5 as the case may be, the Compliance Committee shall commence Default Proceedings pursuant to Article K.
3. In the case of a Complaint received during the claims period following a Voluntary Relinquishment of Accreditation or an Agreed Termination of Accreditation, the Complaint shall be treated in the same manner as a Complaint described in Section 2 of this Article.
4. In the case of a Reported Failure:
 - a) Within two (2) Business Days after receipt by the Compliance Committee, the Compliance Committee shall attempt to establish an informal conference ("Initial Conference") with the Participant.
 - b) If the Complaint cannot be resolved to the satisfaction of the Compliance Committee at such Initial Conference, then a Mediation Hearing shall be scheduled within not more than five (5) Business Days following the date of the Initial Conference.
 - c) The mediation hearing shall be conducted by the Compliance Committee. The Participant shall have a representative present. If a Covered Client has made or joined in the Complaint, the Covered Client shall be invited to provide a representative. If the Complaint has been made by a Regulatory Agency or other third party, such Regulatory Agency or other party shall be invited to provide a representative.
 - d) If the Complaint cannot be resolved to the satisfaction of the Compliance Committee through mediation, and if a Covered Client, Regulatory Agency, or Insurer, has made or joined in the Complaint, then the matter shall be submitted to arbitration in accordance with Article N, Section 2. Unless otherwise agreed by the parties or ordered by the arbitrator, the arbitration hearing shall be scheduled within not more than thirty (30) Business days following the Mediation Hearing.
 - e) The arbitration shall be conducted by the Compliance Committee in accordance with the arbitration procedures specified in Article N, Section 2. The Participant and any Covered Client, Regulatory Agency, or Insurer, who has made or joined in a Complaint may attend and may be represented by counsel.
 - f) If at such time as the determination of the arbitrators becomes final, and providing such additional time, if any, is provided in the determination of the arbitrators for the Participant to cure any Reported Failure, the Participant has not cured any such Reported Failure, then the Participant shall be in Default, in which case, after the decision has been ratified by the Board of Directors, the Compliance Committee shall commence Default Proceedings.
 - g) If the Complaint cannot be resolved to the satisfaction of the Compliance Committee at a mediation hearing and if a Covered Client, Regulatory Agency, or Insurer has not made or joined in the Complaint, then the Compliance Committee, in its sole discretion, shall make a determination of whether the Complaint has been resolved to the satisfaction of the Compliance Committee. In making such determination, the Compliance Committee shall be entitled, but not required, to conduct such investigation, including, but not limited to, receiving statements from persons with relevant knowledge and receiving written documents and instruments as the Compliance Committee shall deem necessary or desirable to enable it to resolve the Complaint. At the conclusion of such determination, the Compliance Committee shall release a written report of its findings. If at such time as the report of the Compliance Committee is issued, and providing such additional time, if any, is provided in such report for the Participant to cure any Reported Failure, the Participant has not cured any such Reported Failure, then the Participant shall be in Default, in which case, after the decision has been ratified by the Board of Directors, the Compliance Committee shall commence Default Proceedings.
5. In the case of a Substantial Failure:
 - a) Within twenty four hours (or as soon as practicable) after receipt by the Compliance Committee of a Complaint concerning a Substantial Failure, the Compliance Committee shall attempt to establish a conference ("Initial Conference") with the Participant.
 - b) The Participant shall be in Default and Default Proceedings may be started if the Compliance Committee determines: (1) that a Substantial Failure has occurred; and (2) that the Substantial Failure cannot be cured within five (5) Business Days, or at the end of the five (5) Business Days, the Substantial Failure has not been cured.
 - c) The Compliance Committee shall have sole discretion to determine: (1) whether a Substantial Failure has occurred; (2) whether a Substantial Failure is capable of cure within five or fewer Business Days; and, (3) whether a Substantial Failure has in fact been cured with the five Business Day period.
 - d) The Compliance Committee shall investigate all complaints alleging a Substantial Failure. The Compliance Committee may interview persons, take statements, and request documentation. The Participant shall cooperate fully with the investigation of the Compliance Committee. The Compliance Committee may declare a Participant in Default based on its investigation, even if the Complaint or Initial Conference does not establish that a Substantial Failure has occurred.
 - e) The Compliance Committee shall notify any Covered Client that has made a Complaint if: (1) the Compliance Committee determines that there has not been a Substantial Failure; or (2) the Substantial Failure has been resolved to the satisfaction of the Compliance Committee. The Compliance Committee may also notify any Regulatory Agency or Insurance Carrier that has a legitimate interest in the Complaint. Such notice shall be in writing and shall clearly state that such Complaints have been resolved to the satisfaction of the Compliance Committee and that no further action shall be taken by ESAC with respect to such Complaints.
6. In connection with handling a Complaint, Reported Failure, or Substantial Failure, the Compliance Committee may rely upon and use the provisions of the section "Procedures for Handling Alleged Failures, Violations, Defaults & Claims" of the *Standards and Procedures*, to the extent such provisions do not conflict with the provisions of this Section J.
7. In the event of a Default, the defaulting Participant releases each and every ESAC Indemnified Party, all Covered Clients, together with their respective directors, officers, employees and agents, and all other Participants in the Client Assurance Program and all other ESAC accredited PEOs, together with their respective directors, officers, employees and agents from and against any act or omission of any Indemnified Party related to (i) the termination of a Client's relationship or contract with the defaulting Participant on or after a Default; (ii) the gathering and dissemination of information as contemplated in Section F; and (iii) contracting with, or providing services by a Participant to a Covered Client at any time after the Default. The Participant further agrees that any client or Covered Client at the time of a Default shall be entitled to immediately terminate its contract or agreement with the defaulting Participant without breach or penalty.

K. DEFAULT PROCEEDINGS.

In the event of a Default, the following procedures shall apply:

- a) Notification in writing of the Participant's Default shall be sent to all Covered Clients, the Trust and applicable Regulatory Agencies and ESAC Surety(ies).
- b) Initiation of procedures to fulfill the obligations of ESAC and the Trust under the affected Client Participation Certificates (Attachment A).
- c) Initiation of procedures to recover any claim-related losses.

L. TERMINATION.

1. This Agreement shall be terminated upon (a) a Default, (b) failure to pay an Affidavit of Compliance Assessment as provided in Article E.1., (c) the cessation of accreditation, (d) not less than thirty (30) days written notice from ESAC, or (e) upon termination without renewal or replacement of any Surety Bond covering any Financial Obligations of the Participant. In the event of any such termination of this Agreement, ESAC will endeavor to provide notice as soon as practical to the Participant and to the Covered Clients of the Participant.
2. The termination of this Agreement shall not affect the obligations of the Participant, including without limitation, the Representations and Warranties contained in Article G above and the Indemnifications contained in Article I hereof, all of which shall survive the termination of this Agreement.

M. LIMITATION OF LIABILITY.

No ESAC Indemnified Party (as defined in Article I) shall be liable for any decision, election or other action or nonaction taken or not taken in their official capacities, provided such person acted in good faith, without regard to fault or negligence. No other participant in the PEO Client Assurance Program and no other ESAC accredited PEO has any liability or obligation, as a guarantor, surety, participant or otherwise, to the Participant, the Participant's Covered Clients, ESAC, the Trust or any other person whatsoever with respect to the obligations of ESAC or the Trust with respect to this agreement.

N. DISPUTE RESOLUTION.

1. **Mediation.** If a dispute arises out of or relates to this Agreement, or breach thereof, and if said dispute cannot be settled through negotiation, the parties agree first to attempt in good faith to settle the dispute by mediation under the Commercial Mediation Rules of the American Arbitration Association before resorting to arbitration, litigation, or other dispute resolution procedure.
2. **Arbitration.** If at any time during the course of this Agreement or following the termination of the Agreement, there shall arise a dispute arising out of or under this Agreement or with respect to its terms, its interpretation, a breach thereof, any aspect of the parties' relationship and the transactions contemplated herein, or any action cognizable under the Federal Arbitration Act, the parties agree to submit to alternative dispute resolution through arbitration. Such arbitration shall be conducted by the American Arbitration Association. However, in the case of a Reported Default, arbitration shall be conducted by the Compliance Committee in accordance with the Rules of the American Arbitration Association. No civil action concerning any dispute within the scope of this arbitration provision, which the parties intend to be broad in scope, shall be instituted before any court but shall be submitted to final and binding arbitration as herein provided. Such arbitration shall be conducted in accordance with the rules of such Association before a single arbitrator. All arbitration proceedings shall take place at a location mutually agreed by the parties, otherwise in Little Rock, Arkansas. All costs of arbitration, including attorneys' fees and other costs attendant thereto, shall be allocated among the parties according to the arbitrator's discretion, who may award all costs to one party or allocate the costs between the parties. Further, the arbitrator's award resulting from such arbitration may be confirmed and entered as a final judgment in any court of competent jurisdiction and enforced accordingly. The parties expressly agree that proceeding to arbitration and obtaining an award thereunder shall be a condition precedent to bringing or maintaining any action in any court with respect to any dispute arising under this Agreement, except for the institution of a civil action to maintain the status quo, subject to each

party's right of adequate protection, during the pendency of any arbitration proceeding.

O. CONFIDENTIALITY.

1. Except as provided below, "Confidential Information" means any information, including, without limitation, any technical, financial, product, marketing and/or client information and any information relating to the present and future business operations or financial condition of Participant, whether such information is written or oral, and which is (i) if in writing, clearly marked as "confidential" or "proprietary," or (ii) if not in writing, designated as confidential or proprietary in writing at the time of disclosure to ESAC. All client names and addresses and financial statements, other than those of a Participant that is subject to reporting under the 1934 Securities and Exchange Act, as amended, shall be subject to the rebuttable presumption that they are Confidential Information. It is understood that the term "Confidential Information" does not include information which:
 - a) has been or becomes published or is now or is in the future in the public domain through no action of ESAC;
 - b) subsequent to disclosure hereunder, is lawfully received by ESAC from a third party with no restriction of rights to disseminate and without other notice of any restriction;
 - c) is disclosed with the prior written approval of the Participant, including without limitation an on-going or blanket approval;
 - d) is obligated to be produced under order of a court of competent jurisdiction or a valid administrative or congressional subpoena;
 - e) is obligated to be produced to federal or state regulatory authorities as required by law;
 - f) following a Default, is disclosed pursuant to Articles F, J and K, or otherwise by ESAC in carrying out its obligations under this Agreement; or
 - g) in the event of mediation or arbitration or a legal proceeding involving the Participant or a successor or assignee thereof, to the extent necessary to prosecute or defend any claim in such proceeding.
2. Except as permitted in Section 1 above, ESAC shall not disclose any Confidential Information to any party other than to its directors, officers, employees, or agents who have executed a nondisclosure agreement prohibiting the disclosure of Confidential Information as necessary to accomplish ESAC's responsibilities in administering the Client Assurance Program and ESAC accreditation as provided for in this Agreement, its Bylaws, and the *Standards and Procedures*, as such may be amended from time to time. ESAC shall cause all of its own directors, officers and employees to be bound by this confidentiality provision and shall use its best efforts to obtain a substantially similar agreement from its independent contractors, including without limitation, ESAC Surety(ies), that ESAC reasonably believes may come in contact with Confidential Information.

P. GENERAL.

1. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the successors, assigns, and personal representatives or heirs of the respective parties.
2. **Captions.** Captions used in this Agreement are for convenience only and shall not be construed in interpreting this Agreement.
3. **Counterparts.** This Agreement may be executed in counterpart copies, all of which shall constitute but a single instrument.
4. **Governing Law, Jurisdiction and Venue.** This Agreement shall not be effective until accepted and executed by ESAC in Little Rock, Pulaski County, Arkansas; and shall be governed by and construed in accordance with the laws of the State of Arkansas. Subject to the provisions requiring Mediation and Arbitration as set forth in Article N above, this Agreement may be enforced in the Circuit or Chancery Courts of Pulaski County, Arkansas in Little Rock, Arkansas. By execution of this Agreement, the parties agree to the jurisdiction of the Circuit and Chancery Courts of Pulaski County, Arkansas, to enforce the provisions of this Agreement, and agree that this Agreement is one that will be performed, in part, within the State of Arkansas, and that the Circuit and Chancery Courts of Pulaski

County, Arkansas shall have personal jurisdiction over it in any action or actions.

5. **Integration.** This Agreement together with any Attachments, which are hereby incorporated by reference word for word, constitutes the entire Agreement between the parties with regard to the subject matter, and no other agreement, statement, promise, or practice between the parties relating to the subject matter shall be binding upon the parties. All prior and contemporaneous agreements, whether written or oral, are merged herein. This Agreement may be changed only by written amendment in accordance with Section P.6. below.
6. **Amendment.** ESAC may amend the terms of this Agreement at any time in its sole discretion, effective upon ninety (90) days prior written notice via an ESAC bulletin to Participant or the Participant's earlier written consent, except in the case of any amendment required by ESAC Surety(s) or any Regulatory Agency, in which case such amendment shall be effective on the date set forth in the notice of amendment. The Participant's continued accreditation from the date of such notice shall be deemed to constitute its affirmative acknowledgment of, and agreement to abide and be bound by, the modified terms. A current version of this Agreement is always available at ESAC.org.
7. **Notices.** Notices to the parties with respect to this Agreement shall be delivered in the form of (a) certified mail, return receipt requested, (b) overnight courier service, (c) hand delivery with receipt, (d) e-mail, with delivery confirmation and read receipt or (e) facsimile or telephone followed by one of the above methods of written verification.
- Notices for PEO Participants shall be sent to the contact information associated with the individual authorized and designated by the PEO Participant as its "Recipient of Legal Notice" as a part of Participant's accreditation reporting within ESAC's eFile system.

Notices for ESAC shall be sent to:

ESAC
One Financial Centre, Suite 327
650 S. Shackleford Road
Little Rock, Arkansas 72211
Phone: (501) 219-2045 • Fax: (501) 219-2603
E-mail: legal@ESACmail.org

8. **Survival.** The representations, warranties, and indemnities provided herein shall survive the termination of this Agreement.
9. **Third Party Beneficiaries.** The parties specifically agree that no persons, other than the parties hereto, have any interest in this Agreement, no persons shall be considered intended third party beneficiaries and no persons, other than the parties hereto, shall be entitled to rely upon the provisions of this Agreement for any purpose.
10. **Waiver.** Failure of either party at any time to require performance by the other party or to claim a breach of any provision of this Agreement, or any part hereof, shall not prejudice either party as to any subsequent performance, actions, or breaches.
11. **Supremacy.** A Default by the Participant shall be handled according to the terms of this Agreement. Any other failure to comply with the terms and conditions of, or a breach of any representation or warranty contained in, this Agreement is grounds for disciplinary action pursuant to the *Standards and Procedures*.
12. **Acknowledgement.** The undersigned, a duly authorized Responsible Person (as that term is defined in the *Standards and Procedures*) of Participant, enters into this Agreement on behalf of Participant, acknowledging that he/she has freely done so after having read and understood all of the terms and conditions contained herein, and after the opportunity to consult with legal counsel.

IN WITNESS WHEREOF, this Agreement has been executed on the dates written below.

Participant: _____

By: _____

(Signature)

(Type or print name and title)

Date: _____

ESAC:

By: _____

(Signature)

(Type or print name and title)

Date: _____



Employer Services Assurance Corporation Certificate of Accreditation

This is to certify that

PEO Name

has successfully completed its *quarter-end date* verification process required for ongoing maintenance of its ESAC accreditation and has been accredited since *accreditation date*.

ESAC is the nationally recognized financial assurance, standard-setting and accreditation entity for the PEO industry. ESAC's quarterly verification process confirms that this PEO continues to meet ESAC's ethical, financial and operational standards, including an independent CPA's verification of the timely and accurate payment of payroll taxes, employee benefit contributions and insurance premiums.

The performance of key employer responsibilities by this PEO is assured by ESAC's ongoing compliance monitoring and is backed by bonds providing over \$15 million financial assurance to the PEO's covered clients and worksite employees. This PEO's accreditation demonstrates its commitment to protecting its clients, employees, insurers and regulators and to promoting integrity and financial responsibility within the PEO industry.

Confirm this PEO's accreditation status and review the terms and conditions of financial assurance by visiting
www.PEOReliability.org/PEOName

President and CEO

Date

This certificate ("Certificate") may be accessed from the website of the Employer Services Assurance Corporation ("ESAC") at www.ESAC.org by an enrolled client of an employer services firm ("Service Firm") who participates in ESAC's Client Assurance Program.

1. What Is the Purpose of this Certificate?

This Certificate contains the terms of the Client Assurance Program that ESAC administers through the Employer Services Trust ("Trust") and the conditions under which you may be eligible for reimbursement if your Service Firm does not perform certain employer responsibilities.

2. What Technical Terms Are Defined?

Technical terms are defined in section 15 of this Certificate. Additional terms are defined as they first occur in the text. Defined terms are capitalized when they are used below.

3. How Long Does This Certificate Last?

This Certificate takes effect automatically when your Service Firm enrolls you in the Client Assurance Program. The Certificate terminates automatically if you cease to be a client of your Service Firm or if your Service Firm's participation is terminated. In addition, you may terminate by giving written notice to ESAC; and ESAC may terminate the Certificate or the Client Assurance Program by giving written notice to you. Termination does not affect any claims that are incurred before the effective date of termination.

4. What Are My Benefits?

According to the terms of this Certificate, the Trust will reimburse you for, or pay, if your Service Firm fails to pay, any of the following:

- Wage Obligations
- Life and Health Insurance Premium Obligations
- Employee Benefit Obligations
- Employment Tax Obligations
- Workers' Compensation Insurance Premium Obligations

The failure to pay any of these obligations is a default ("Default").

5. How Are Benefits Paid?

- a) The benefits are provided solely by surety bond(s) ("Coverage") held by the Trust. Neither ESAC, the Trust, nor the Trustee is an insurer, fiduciary, or guarantor of the benefits.
- b) In case of a Default, proceeds from the Coverage will be paid to the Trust on behalf of your Service Firm's clients. The Trust will distribute the proceeds for claims that are accepted by ESAC's claims committee ("Claims Committee").

6. What Are the Obligations of ESAC and the Trust?

The obligations of ESAC and the Trust are limited to standards compliance monitoring of your Service Firm, obtaining the Coverage, investigating alleged Defaults, and managing and paying any claims. Neither ESAC nor the Trust guarantees any benefits or any of your Service Firm's Financial Obligations, and this Certificate is not a policy of insurance. The Coverage held by the Trust on behalf of the clients of your Service Firm is the only source of financial assurance under this Certificate. Other Service Firms that participate in the Client Assurance Program do not have any responsibility for the obligations of your Service Firm, ESAC or the Trust.

7. What Do I Have to Do to be Eligible for Benefits?

To be eligible for payment of a claim as a covered client ("Covered Client"), you must first satisfy all these requirements:

- a) report any Default and file a claim as required by section 8;
- b) if a Default occurs, terminate your service agreement with your Service Firm before filing a claim (the termination is invalid if it is set aside by a judicial proceeding);
- c) have paid all amounts that you owe to your Service Firm for all pay periods prior to the Default;
- d) assign your claim to the Trust and the Surety and execute any other documents that ESAC determines are reasonably necessary under the Client Assurance Program or the Trust; and
- e) for each Wage Obligation or Employee Benefit Obligation that you are claiming, have the Worksite Employee assign his or her claim to the Trust and the Surety.

8. How Do I Report a Default and File a Claim?

- a) If you know about a possible Default, or if one of your officers or managers knows about a possible Default, then you must immediately notify ESAC by phone or emailing legal@ESACmail.org.
- b) To file a claim, you must provide completed claims forms to ESAC within 30 days after you receive notice of a Default from ESAC; and

supplement your claims filing with any additional information that ESAC requests in order to decide on the claim. ESAC will provide claims forms on request.

9. How Are Disputes Over a Claim Resolved?

If you or your Service Firm disputes the validity or amount of a claim or there are conflicting claims, the Claims Committee may resolve the dispute in its discretion or may submit any unsettled dispute to arbitration under section 13. If the Claims Committee chooses to resolve the dispute, either you or your Service Firm can submit the dispute to arbitration under section 13. The Claims Committee may also, at its option, interplead any amounts otherwise payable by depositing these amounts with a court that will resolve the dispute.

10. What Are the Limits on Coverage and on Paying Claims?

a) The Trust holds an underlying surety bond ("Specific Coverage") to cover Financial Obligations exclusively for the benefit of your Service Firm's clients who are covered by the Client Assurance Program. The Trust also holds a \$15 million surety bond ("Excess Coverage") to cover the collective Financial Obligations of all ESAC accredited PEOs. These two bonds together constitute the total amount of Coverage as of the date of this Certificate. The amount of the Coverages may be changed from time to time, but ESAC will endeavor to notify you of any decrease in any component of the Coverage. The amount of Coverage in effect at any time may be verified at www.ESAC.org or by calling or writing ESAC.

b) If a Default occurs, the Trust will pay the Financial Obligations for all of your Service Firm's Covered Clients based on all claims received within the filing period specified in section 8. After the claims period ends and disputed amounts are decided, if the total amount of approved claims for a Default exceeds the amount of Coverage available, the Trust will pay the claims in the following order:

- i. Wage Obligations;
- ii. Life and Health Insurance Premium Obligations;
- iii. Employee Benefit Obligations;
- iv. Employment Tax Obligations;
- v. Workers' Compensation Insurance Premium Obligations

If there is not enough Coverage available to pay all of a class of obligations, the Trust will pay each approved claim within a class on a prorated basis. In the event of a Default by more than one ESAC accredited entity, the Excess Coverage will be used to pay claims in excess of the Specific Coverage according to the dates of occurrence, with claims related to the earliest Default being paid first.

c) The Claims Committee has the sole discretion to decide which claims are properly documented and which obligations the Client Assurance Program covers.

d) The Client Assurance Program does not cover indirect or special or consequential damages, penalties, interest, the cost of legal representation, lost profits, goodwill, exemplary damages, or other forms of claims or damage other than the Financial Obligations listed in section 4 and defined in section 15.

e) The Trust may pay certain claims as follows:

- i. for Employment Tax Obligations, payment may be made directly to the taxing authority;
- ii. for Life and Health Insurance Premium Obligations and Workers' Compensation Insurance Premium Obligations, payment may be made directly to the insurance carrier;
- iii. for Wage Obligations and Employee Benefit Obligations, payment may be made directly to the applicable Worksite Employee, unless the employee has validly assigned to you the right to those payments.

f) Any Life and Health Insurance Premium Obligation or Workers' Compensation Insurance Premium Obligation is limited to premium payable not more than 60 days before the applicable Default.

11. Who Can Act for Me, and What Assignments Am I Making?

By participating in the Client Assurance Program:

- a) you appoint the Trustee of the Trust and ESAC as your attorneys-in-fact, and you authorize either the Trustee or ESAC to take any action

concerning the Coverage or the Surety that you could take, including the power to:

- i. receive proceeds on your behalf from the Coverage held by the Trust, and to hold and pay out any proceeds for your benefit;
 - ii. compromise or settle any claim or conduct any other dealings with the Surety on your behalf;
 - iii. sign a document of subrogation concerning any claim or benefit under the Client Assurance Program; and
 - iv. hold, as your agent, any interest in any Coverage held by the Trust.
- b) you assign to the Trust and the Trustee all the interest you may have or acquire in any Coverage held by the Trust, and in the proceeds from this Coverage and in any other trust assets. The Trust will use the proceeds to pay your claims and the claims of other Covered Clients of your Service Firm.
- c) you will sign any other document that ESAC requests to reaffirm or acknowledge the appointments and assignments in this section 11.
- d) nothing in this Certificate limits any actions you may take to recover any amounts due to you from your Service Firm, except for your assignment of claims made under the terms of this Certificate as a condition of being eligible for reimbursement by the Trust. Your rights and benefits under the Client Assurance Program are in addition to, and not in place of, any rights you may have under the service agreement with your Service Firm.

12. How Does ESAC Notify Me?

To notify you, ESAC will use the address and contact information provided by your Service Firm as part of its ongoing accreditation requirements and its enrollment of you into the Client Assurance Program. ESAC has no liability for using the latest address of record for you. The Trust, Trustee and Surety are entitled to rely solely on ESAC for all notices to you that this Certificate requires. You may confirm your enrollment, the accuracy of your contact information, and print a copy of this Certificate from your Service Firm's accreditation verification page or from ESAC's website at www.ESAC.org.

13. How Are Disputes Resolved?

- a) If there is a dispute among you, ESAC, the Claims Committee, Trust, Trustee or your Service Firm about any matter related to this Certificate, the Trust, Coverage held by the Trust, or the Client Assurance Program, the parties must make a good-faith effort to resolve the dispute by direct discussion on the telephone or in person. Any unresolved dispute must be resolved exclusively through final and binding arbitration under the Federal Arbitration Act. This requirement to arbitrate only applies to matters related to this Certificate and the Client Assurance Program. By accepting this Certificate and participating in the Client Assurance Program, you agree to arbitration.
- b) If you want to seek arbitration, you must file a demand with the American Arbitration Association within the applicable statute of limitations. A copy of the demand must be simultaneously served on all other parties.
- c) The American Arbitration Association will administer the arbitration under its Commercial Arbitration Rules, using a single arbitrator. The arbitration proceedings will take place at a location that the parties mutually agree on. If they cannot agree, the proceedings will take place in Little Rock, Arkansas. The substantive law of Arkansas and of the United States will bind the arbitrator.
- d) The arbitrator may award any relief available under law. The cost of arbitration—including attorneys' fees, the American Arbitration Association's fees, the arbitrator's fees, and the cost of a hearing room—are subject to the arbitrator's award. Any judgment on the award may be entered and enforced in any court with jurisdiction.
- e) As the sole exception to arbitration, any party may seek injunction to preserve the status quo before and during arbitration.
- f) This requirement to arbitrate survives the breach or termination of this Certificate by any party for any reason.
- g) You do not have standing to dispute any claims or obligations to other Covered Clients of your Service Firm.

14. General Provisions:

- a) **Binding Effect.** This Certificate is binding on and inures to the benefit of the respective successors and assigns of you, ESAC, the Claims Committee, Trust, Trustee or your Service Firm.
- b) **Governing Law.** The laws of Arkansas govern this Certificate and the terms of the Client Assurance Program.
- d) **Integration.** This Certificate constitutes the entire terms of the Client Assurance Program. No other agreement, statement, promise, or

practice concerning the subject matter is binding on you, ESAC, the Claims Committee, Trust, Trustee or your Service Firm.

- e) **Amendment.** ESAC may amend this Certificate at any time, by giving you 90 days' prior written notice. But if the Surety providing Coverage under the Client Assurance Program or any regulatory agency requires an amendment, ESAC may amend the Certificate on the date that it gives you written notice.
- f) **Notices to ESAC.** Except as provided in section 8(a) and (b), you must give notice to ESAC by one of the following means: (i) certified mail, return receipt requested; (ii) overnight courier service; (iii) hand delivery with receipt; or (iv) facsimile, e-mail or telephone, followed by one of the above. You must send the notice to ESAC's address provided on the Certificate of Coverage, unless this information is updated by written notice to you.
- g) **Third Party Beneficiaries.** Only you, ESAC, the Claims Committee, Trust, Trustee or your Service Firm have an interest in the Client Assurance Program. More specifically, there is no intended third-party beneficiary, and only you, ESAC, the Claims Committee, Trust, Trustee or your Service Firm are entitled to rely upon this Certificate.

15. Definition of Technical Terms:

- a) *Employee Benefit Obligation* means the obligation of your Service Firm to collect and remit any elective or voluntary contributions by Worksite Employees with respect to any employee benefit plan as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (ERISA), if the plan is sponsored or co-sponsored by your Service Firm or your Service Firm is otherwise contractually obligated pursuant to an express provision of a written contract to pay such contributions on behalf of the Worksite Employee and clients. Employee Benefit Obligations are covered by this Certificate to the extent the contributions are collected by your Service Firm but not paid over to the policy, plan, or other funding vehicle for the employee benefit plan. The obligations of the Trust are not "plan assets," and ESAC, the Trust, and their agents are not "fiduciaries" within the meaning of ERISA.
- b) *Employment Tax Obligation* means your Service Firm's obligation with respect to Worksite Employees to report and pay in a timely and accurate manner the amount of its liability under applicable law for payment and withholding of federal, state, and local income taxes and employment taxes, and FICA and Medicare taxes, but not including any gross receipt taxes, sales taxes or use taxes.
- c) *Life and Health Insurance Premium Obligation* means the obligation of your Service Firm to pay when due premiums, not subject to a good faith reasonable dispute, for life or health insurance coverage under a Fully Insured group life insurance plan, as defined in Section 79 of the Internal Revenue Code, or a Fully Insured group health plan, as defined in Section 5000 of the Internal Revenue Code, sponsored by your Service Firm for the benefit of its Worksite Employees.
- d) *Wage Obligation* means the obligation of your Service Firm to pay wages to its Worksite Employees according to applicable law. Wages are limited to cash compensation payable to Worksite Employees in the ordinary course of business for which you have paid your Service Firm its service fees.
- e) *Workers' Compensation Insurance Premium Obligation* means the obligation of your Service Firm to pay when due workers' compensation premiums, not subject to a good-faith reasonable dispute, with respect to a Fully Insured workers' compensation policy issued to your Service Firm for the benefit of its Worksite Employees.
- f) *Financial Obligation(s)* means any or all of the obligations of your Service Firm described in a) through e) above.
- g) *Worksite Employee* means any person whose employment status with your Service Firm has been recognized by completing Internal Revenue Service Form W-4, who is treated as an employee of your Service Firm on its payroll records, and who provides services to you.
- h) *Fully Insured* insurance plan means any plan of insurance that is fully insured by a duly licensed carrier. If a portion of the premium cost is determined retrospectively, the financial obligation is limited to that portion of the premium due to be paid in advance or within a policy period without regard to the amount of claims.

ATTACHMENT B: EMPLOYER SERVICES ORGANIZATION SURETY BOND

KNOW ALL MEN BY THESE PRESENT THAT, we _____ (PEO name) (including any PEO operations by any subsidiary or affiliate, now owned or hereinafter acquired, which are combined for the purposes of accreditation by ESAC) of _____ (PEO address), as

Principal, hereinafter called Principal, and Platte River Insurance Company, a Nebraska corporation, as Surety, hereinafter called Surety, are held and firmly bound unto Employer Services Trust, (the Trust) of One Financial Centre, 650 S. Shackleford Rd., Suite 327, Little Rock, Arkansas 72211-3503, as designated agent of the Covered Clients, as hereinafter defined, as Obligee, hereinafter called Obligee, in the sum of _____ (\$ _____) (surety bond amount) for which we hereby bind ourselves, our Administrators, Executors, Heirs, Successors and Assigns firmly by these presents.

Covered Client shall mean a client of the Principal that has executed a written service contract with the Principal pursuant to which Worksite Employees provide services to such client and has been enrolled by Principal in the Client Assurance Program of the Employer Services Assurance Corporation, a nonprofit corporation ("ESAC").

WHEREAS, the Trust has been formed and is maintained for the purpose of acting as the agent of the Covered Clients with respect to this Surety Bond, together with any renewals or replacements and any proceeds thereof; and

WHEREAS, the Client Participation Certificate in the form approved by the Surety and provided to each Covered Client sets forth the terms and conditions under which such Covered Client would be eligible for financial reimbursement, or payment on behalf of, for certain documented losses incurred by such Covered Client as a result of the Principal's failure to perform specific employer responsibilities defined therein as Section 4 of the Client Participation Certificate: Benefits Available to Client: a. "Wage Obligations," b. "Life and Health Insurance Premium Obligations," c. "Employee Benefit Obligations," d. "Employment Tax Obligations," and e. "Workers' Compensation Insurance Premium Obligations."

WHEREAS, each Covered Client by accepting the Client Participation Certificate and participating in the Client Assurance Program:

- a) has assigned to the Trust all of its rights, title and interest in and to this Surety Bond, together with any renewals or replacements and any proceeds thereof, for the purpose of collecting any proceeds thereof in the event of a claim against such obligation and distributing such proceeds among the Covered Clients and their designees;
- b) has designated the Trust as its agent to collect any proceeds of this Surety Bond in the event of a claim against such obligation and distributing such proceeds among the Covered Clients and their designees;
- c) has designated the Trust to act as its agent for the purpose of holding any certificate or evidence of its status as Obligee; and
- d) has designated the Trust as its agent for the purposes of all dealings with the Surety and this Surety Bond, including without limitation, the right to receive notice from Surety on behalf of such Covered Client and to enter into further agreements, compromises, settlements or similar arrangements, as well as execute any further instruments, including subrogation agreements, as the Trust may determine is in the best interest of such Covered Client.

NOW THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, that if the Principal shall reimburse the Obligee for all loss paid by the Obligee pursuant to the Client Participation Certificate and as a result of the failure of the Principal to perform specific employer responsibilities as hereinbefore defined, then this obligation to be void, otherwise to remain in full force and effect until cancelled as hereinafter provided.

FURTHER CONDITIONED:

1. This bond is effective on the date signed by the surety below and will continue in force until cancelled by the Surety giving ninety (90) days notice to the Obligee and the Principal at their addresses indicated above.
2. The liability of the Surety shall cease simultaneously with the termination of the Participation Agreement as provided in Section D. Conditions of Participation, of that certain Participation Agreement between Principal and Obligee, Subsection 1. ESAC Accreditation.

3. The Surety, however, will remain liable for any default occurring during the period up to the expiration of said ninety (90) days notice and prior to the date the Principal ceases to be a Participant in the Client Assurance Program of ESAC.
4. The Obligee shall notify the Surety of any default of the Principal hereunder, at the earliest possible time following the discovery of such default and in any event not later than thirty (30) days after such discovery by the Obligee.
5. In the event of the payment by the Surety of any claims hereunder, the Surety shall be subrogated to all the rights of the Obligee with respect to such claims and the Obligee shall execute or have executed whatever documents may be deemed necessary in this regard.
6. Regardless of the number of years this bond remains in force, the number of premiums paid, or the number of claims or claimants, in no event shall the total aggregate liability of the Surety under this bond exceed the above referenced surety bond amount.
7. The Surety shall not be liable under this bond unless Covered Client has satisfied all of the requirements to be eligible for reimbursement or payment of a claim in accordance with Section 7 of the Client Participation Certificate, which has been made available to the Covered Client via a link on the Principal's accreditation verification page or on ESAC's website at www.ESAC.org.
8. That the Surety shall not be subject to any suit, action or proceeding hereunder instituted later than twenty-four (24) months following the termination hereof unless, prior to or within such twenty-four (24) month period, the Obligee has notified the Surety of a default of the Principal hereunder.
9. The Surety shall not be liable for any loss directly or indirectly arising out of, or in any way connected with the use of any arbitrary, ambiguous or incompletely defined data in any data, software or embedded programming, whether or not owned or in the possession of the Principal, or any measures taken with the intention of averting or minimizing any of the above.
10. In case of default under this bond, no principal other than the principal causing such default shall be liable for the loss, and the Surety will only look to the principal causing the default to indemnify the loss.

PRINCIPAL:

By: _____

(Signature)

(Type or print name and title)

Date: _____

SURETY:

By: _____

(Signature)

(Type or print name and title)

Date: _____

ESAC EXCESS SURETY BOND

KNOW ALL MEN BY THESE PRESENTS: That the Principals named on attached Schedule A hereinafter referred to as Principal, and Platte River Insurance Company, a Nebraska corporation, hereinafter referred to as Surety, hereby bind themselves to Employer Services Trust of One Financial Centre, 650 S. Shackleford Rd., Suite 327, Little Rock, Arkansas, 72211-3503, as designated agent of the Covered Clients, hereinafter referred to as Obligees, in an amount not to exceed Fifteen Million Dollars (\$15,000,000.00) in the aggregate on behalf of any one Principal or combination of Principals, for any one loss or combination of losses regardless of the number of years this bond remains in force or the number of premiums paid.

WHEREAS, each listed Principal is accredited in good standing with the Employer Services Assurance Corporation and has an underlying surety bond, and

WHEREAS, a "SURETY BOND APPLICATION AND INDEMNITY AGREEMENT" has been made by each Principal listed on Schedule A attached, and

WHEREAS, the execution of such "SURETY BOND APPLICATION AND INDEMNITY AGREEMENT" which includes a request for this Excess Bond, by a Principal attaches liability as if the Principal had executed this excess bond as Principal.

NOW THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, that if the Principal shall reimburse the Obligees for all loss paid by the Obligees pursuant to the Client Participation Certificate and as a result of the failure of the Principal to perform specific employer responsibilities as therein defined, then this obligation to be void, otherwise to remain in full force and effect until cancelled as hereinafter provided.

FURTHER CONDITIONED:

1. This bond is effective on January 1, 2014 and will continue in force until cancelled by the Surety giving ninety (90) days written notice to the Obligees at their address indicated above and the Principal at their address indicated on Schedule A.
2. The liability of the Surety shall cease simultaneously with the termination of the Participation Agreement as provided in Section D, Conditions of Participation, of that certain Participation Agreement between Principals and Obligees, Subsection 1. ESAC Accreditation.
3. The Surety, however, will remain liable for any default occurring during the period up to the expiration of said ninety (90) days notice and prior to the date the Principal ceases to be a Participant in the Client Assurance Program of ESAC.
4. The Obligees shall notify the Surety of any default of the Principal hereunder, at the earliest possible time following the discovery of such default and in any event not later than thirty (30) days after such discovery by the Obligees.
5. In the event of the payment by the Surety of any claims hereunder, the Surety shall be subrogated to all the rights of the Obligees with respect to such claims and the Obligees shall execute or have executed whatever documents may be deemed necessary in this regard.

6. Regardless of the number of years this bond remains in force, the number of premiums paid, or the number of claims or claimants, in no event shall the total aggregate liability of the Surety under this bond exceed Fifteen Million Dollars (\$15,000,000.00) regardless of when discovered and whether or not previously reported to the Surety.
7. The Surety shall not be liable under this bond unless Covered Client has satisfied all of the requirements to be eligible for reimbursement or payment of a claim in accordance with Section 7 of the Client Participation Certificate, which has been made available to the Covered Client via a link on the Principal's accreditation verification page or on ESAC's website at www.ESAC.org.
8. That the Surety shall not be subject to any suit, action or proceeding hereunder instituted later than twenty-four (24) months following the termination hereof unless, prior to or within such twenty-four (24) month period, the Obligees has notified the Surety of a default of the Principals hereunder.
9. Under no circumstance shall this bond pay if the underlying bond for defaulting principal does not pay and the Surety must have paid the full amount of the underlying bond.
10. If a default does occur by a Principal, the method of indemnity is limited to that described in the underlying bond and the Participation Agreement, although the dollar amount shall include all amounts paid out or costs and expenses incurred by the Surety company under this excess bond and the underlying surety bond.
11. In case of default under this bond, no principal other than the principal causing such default shall be liable for the loss, and the Surety will only look to the principal causing the default to indemnify the loss.
12. The aggregate limit of liability shall be reduced by the amount of any payment made under the terms of this bond.
13. The aggregate limit of liability shall not be increased or reinstated by any recovery made by the Surety.

Platte River Insurance Company

By: _____

Michael Garcia, Attorney-in-Fact

Date: 1/8/14

SURETY BOND APPLICATION AND INDEMNITY AGREEMENT

This General Indemnity agreement applies to the ESAC underlying surety bond and the ESAC excess bond as well as any other bonds requested by the principal. The Undersigned, individually, jointly and severally and on behalf of any of its subsidiaries, affiliates or divisions or their subsidiaries, affiliates or divisions now in existence or hereafter formed or acquired; or on behalf of individuals, partnerships or corporations that have a substantial interest in the Principal obtaining bonds, are hereby bound by this agreement.

Each of the undersigned, hereinafter called the Indemnitor(s), hereby affirms that the statements made and answers given are the truth without reservation, and are made for the purpose of inducing Platte River Insurance Company, hereinafter referred to as the Company or Surety, to execute or procure the execution of a certain bond(s) herein applied for or requested in the future, and any and all extensions, modifications or renewals thereof, additions or substitutions therefor, any and all such instruments separately and collectively being hereinafter called the Bond(s).

To indemnify and keep indemnified the Surety, and hold and save it harmless from and against any and all damages, loss, costs, charges and expenses of whatever kind or nature, including counsel and attorney's fees, which the Company shall or may at any time sustain or incur by reason or in consequence of having executed said Bond(s).

That the Surety has the right in its sole discretion to decline any Application or to decline to issue any bonds at any time for whatever reason. That the Surety has the right to conduct such investigations of indemnitors including the examination of assets, books, records and credit history as the Surety deems appropriate.

WE HAVE READ THIS AGREEMENT CAREFULLY. THERE ARE NO SEPARATE AGREEMENTS OR UNDERSTANDINGS WHICH IN ANY MANNER LESSEN OUR OBLIGATIONS HEREIN.

WITNESS; The following signature(s):

PEO Name: _____ Attest: _____
(Signature)

By: _____ , Secretary
(Signature) _____
(Type or print name) _____, President/CEO
(Type or print name)

Parent Entity Name (if any): _____

By: _____
(Signature) _____
(Type or print name and title) _____

A. Personal Indemnity may be required if any of the following are true:

1. The applicant or accredited PEO does not meet ESAC's financial standards after exclusion of any receivables due from an affiliate unless such receivable meets an exception as defined in ESAC Financial Standard #6.
2. The applicant's latest fiscal year end audited financial statements demonstrate negative net income, which net loss, if reoccurred in the next two reporting periods would result in a violation of one or more of ESAC's Financial Standards, absent any curative action by the PEO.
3. The applicant or accredited PEO is unable to demonstrate that it meets the requirements of A.1 and 2., above, by providing an audited financial statement covering at least 12 consecutive months of PEO operations.
4. The accredited PEO has a self-insured major medical insurance plan or has workers' compensation or major medical plans that are not operating in compliance with ESAC Financial Standard #5.

B. Personal Indemnity is defined as the following:

1. The personal indemnity of the Majority Stockholder (51%), but if none,
2. The personal indemnity of the Principal Stockholder owning at least 20% that is active in a controlling executive capacity of the day-to-day operations.
3. If neither B.1. nor B.2. are true, then the personal indemnities of enough owners to account for 51% ownership are required. If the stock is owned by an entity other than an individual, then track up the ownership structure until there is an entity in sound financial condition, in the opinion of the surety underwriters, and provide the indemnity of that entity.
4. Public Corporations: the nature of these entities preclude personal indemnity; however, indemnity of the parent corporation will be required. If the parent corporation is also a subsidiary, then track up the ownership structure until there is an entity in sound financial condition, in the opinion of the surety underwriters, and provide the indemnity of that entity.

C. Release of Personal Indemnity: The personal indemnity shall remain in effect until a written release signed by a duly authorized representative of the Surety is provided to the Principal. Personal indemnity will be released when/if (i) the condition(s) that caused the requirement of personal indemnity is proven to have been corrected by a future fiscal year end audited financial statement, (ii) the PEO has provided evidence acceptable to the Surety, in its sole discretion, that the condition is likely to remain corrected, (iii) the PEO is meeting all of ESAC's financial standards, and (iv) ESAC has requested that the Surety release the personal indemnity.

Additional Indemnitor (if required): _____ Additional Indemnitor (if required): _____

By: _____ By: _____
(Signature) (Signature)
(Type or print name) (Type or print name)

Affiliate Entity Name(s) (if any): _____ Affiliate Entity Name(s) (if any): _____

By: _____ By: _____
(Signature) (Signature)
(Type or print name and title) (Type or print name and title)

ATTACHMENT C: PARTICIPANT DISCLOSURE

- 1.** Provide the following information for each loss or claim in excess of \$25,000 incurred by the Participant during the previous five (5) years on account of fraud or dishonesty of any officer or employee: year of occurrence, description of loss, amount of claim or loss, ultimate resolution or current status. If none, so state "None."

- 2.** Provide the following information for each loss or claim in excess of \$25,000 incurred by the Participant during the previous five (5) years on account of errors or omissions of the type for which coverage is generally available under the errors and omissions policy required to be maintained by the Participant as a condition of accreditation: year of occurrence, description of loss, amount of claim or loss, ultimate resolution or current status. If none, so state "None."

- 3.** Provide the date, facts and circumstances related to any prior situation related to the Participant that may give rise to a claim that, had it occurred within the past five (5) years, would have required disclosure pursuant to 1. or 2. above. If none, so state "None."
