



RLI Insurance Company
 8 Greenway Plaza Suite 400 Houston TX 77046
 Phone: 713-961-1300 Fax: 713-961-0285

Collateral Agreement and Receipt

Producer _____ Effective Date _____

Principal(s) _____

Pledgor of
Collateral Security _____
(Name)

(Address) (City, State and Zip)

RLI Insurance Company (hereinafter called Surety) acknowledges receipt of the following security from the above designated Pledgor, deposited with Surety for good consideration and under the agreements and upon the conditions hereinafter stated, for the benefit of Surety and its co-sureties, reinsurers, successors and assigns, and such other surety as Surety may procure to execute said bond(s):

AGREEMENTS AND CONDITIONS OF DEPOSIT

The collateral security, together with income thereon, is pledged and deposited with Surety as security:

- (a) Against any and all liability, loss, costs, damages, expenses and attorney's fees arising or incurred in connection with any bond, recognizance, undertaking or other obligation (all of which, together with any extensions, continuations, and modifications thereof, are hereinafter referred to as bonds), **heretofore and hereafter executed**, assumed or procured by Surety on the indemnity or behalf of said Pledgor, or on account of which Pledgor has agreed to indemnify the Surety;
- (b) For the payment of all premiums on such bonds;
- (c) For the performance of all agreements and obligations guaranteed by such bonds, including any extensions, continuations or modifications of such agreements or obligations made with or without the consent of Pledgor;
- (d) Against any liability, loss, costs, expenses and attorney's fees in connection with any claim to the collateral security by persons claiming adversely to Pledgor.

To accomplish the purposes of such deposit, Surety is authorized, at any time and without notice or legal process, to use said collateral security, and to apply the same to payment of or reimbursement for losses, costs or damages, expenses, attorney's fees, premiums or liabilities, as it may elect; and, at its option and in its sole discretion, to sell any of said collateral security at public or private sale to itself or to any other person, or to deposit, invest, convert, cash, exchange, renew or dispose of said collateral security or the proceeds thereof in any manner, in such form and on such terms as it deems proper. The undersigned pledgor grants to **RLI Insurance Company** power of attorney to take whatever actions and execute any documents as **RLI Insurance Company** may reasonably require to effectuate the terms of this Agreement.

Pledgor represents himself to be the sole owner of said collateral security, and agrees to save Surety harmless from any loss, costs, expenses or attorney's fees arising from claims to any part thereof any persons claiming adversely to Pledgor.

If the collateral security shall, by reason of depreciation below its market value as of the time of deposit, become insufficient for Surety's protection, Pledgor shall, upon demand, deposit additional collateral security, satisfactory to Surety, of a value at least equal to the amount of such depreciation and, in the event of Pledgor's failure to deposit such additional collateral within ten days of said demand, Surety shall thereupon have the right to dispose of the collateral as hereinbefore provided.

Surety shall not be liable for any loss or depreciation of the collateral security for the proceeds thereof, or damage thereto, unless caused by gross negligence of Surety's officers or employees. Surety shall pay no interest on the collateral security for the earning of any income thereon.

UPON RECEIPT OF EVIDENCE SATISFACTORY TO SURETY OF ITS DISCHARGE FROM ALL LIABILITY UNDER SUCH BONDS, AND OF OWNERSHIP OF THE COLLATERAL SECURITY BY PLEDGOR (IT BEING RECOGNIZED THAT SURETY MUST BE GIVEN REASONABLE LATITUDE IN THE DETERMINATION OF WHAT EVIDENCE IS SATISFACTORY WITH REGARD TO PROOF OF OWNERSHIP AND OF TERMINATION OF LIABILITY) AND OF PAYMENTS OF ALL AMOUNTS DUE AS PROVIDED HEREIN, SURETY SHALL, WITHIN A REASONABLE TIME, RETURN SAID COLLATERAL SECURITY, LESS ANY DEDUCTIONS PURSUANT TO THE TERMS OF THIS AGREEMENT, TO THE PLEDGOR.

This Collateral Agreement and Receipt is (a) not assignable or transferable except upon the written consent of a duly authorized officer of Surety, (b) must be returned upon surrender of the collateral security, and (c) is binding upon all successors or acquirers of the Depository.

Executed in duplicate and dated this _____ day of _____, _____. The terms hereof are hereby agreed to and accepted:

Pledgor RLI Insurance Company
Surety

By _____ By _____
Pledgor

ATTACH NOTARIAL ACKNOWLEDGEMENT
ACKNOWLEDGEMENT OF DEPOSITORY

For good and valuable consideration, the receipt and sufficiency of which being hereby acknowledged, we further acknowledge the assignment of the account or deposit described above and warrant that the account currently holds the amount stated. We have reviewed our records regarding the above-assigned account or deposit and hereby represent that our records do not disclose any liens, claims, or setoffs of any kind against the account or deposit noted above.

We further acknowledge and affirm that we will not exercise any common law or statutory lien or right or setoff on our behalf against the account or deposit. We understand that the account or deposit is being held as collateral for your bond and we will not release the account or deposit nor render such into our possession without the prior written consent of **RLI Insurance Company**.

We agree to indemnify **RLI Insurance Company** against any loss, liability or expense (including without limitations, reasonable fees and disbursements of counsel) incurred by **RLI Insurance Company** arising out of Depository's negligence (whether sole, joint, contributory or concurrent) in the performance of Depository's obligations arising under this agreement.

We agree that this Collateral Agreement and Receipt, and Depository's obligations hereunder, are binding upon all successors and acquirers of Depository without further action by any party.

SIGNED, SEALED AND DATED this _____ day of _____, _____.

BY: _____
Print Name and Title

Witness BY: _____
Signature

(This Receipt must be signed by Pledgor when Collateral Security is returned.)

Received this _____ day of _____, _____, the collateral held by Surety under the above agreement and any supplements thereto.

Witness Pledgor

ACKNOWLEDGEMENT FORM OF PLEDGOR

STATE OF _____

COUNTY OF _____

On this _____ day of _____, _____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said _____, by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said _____.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

BY: _____
Notary Public

My Commission Expires

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COUNTY OF _____

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