



Collateral Instructions and Procedures

Western National Mutual Insurance Company can accept either of the following types of collateral with underwriting approval:

- Cashier's Check , Money Order or Wire Transfer made payable to Western National Mutual Insurance Company. Cash collateral is subject to advance underwriter's approval. If you are mailing collateral, please send the collateral by certified mail, return receipt requested.
- Irrevocable Letters of Credit (ILOC) – We must approve both the format of the ILOC and the bank issuing the ILOC in advance. We only accept a “clean” ILOC with an evergreen clause. The format of the ILOC must match the sample format attached.

Collateral Agreement Form Instructions

The Depositor information is listed in the top paragraph of the collateral agreement form with the principal name (the entity or person actually applying for the bond) in the second paragraph. The depositor signs the agreement on the last page indicating their name, title and employee I.D. or social security number. The description of the collateral is listed in Schedule “A” and the primary address of the depositor is listed in Schedule “B”.

Return to Western National:

1. The collateral
2. The completed and signed original Collateral Agreement Form
3. The signed application or indemnity agreement

Note Regarding Collateral:

Collateral applies to any and all of the principal's bonds. After cancellation/expiration of all bond(s), the collateral will continue to be held until the period for suing on the bond(s) has either expired or been legally exonerated or released by the obligee(s), or the underwriter deems that the collateral can be released early for underwriting reasons. Please fully read the Collateral Agreement for the exact terms governing the collateral.

General Instructions Regarding Release of Collateral for Court Bonds:

To obtain release of your collateral you must provide us with a court order signed by the presiding judge referencing the specific Western National bond number and stating that the bond “is hereby exonerated”. The exoneration or discharge order must be unconditional. It also is not sufficient for the court to say that the bond is “released” which could mean that the court is only terminating future liability for the surety but not discharging past liabilities.

For discharge of mechanic lien bonds when a lawsuit has been filed; we will need the lawsuit dismissed “with prejudice” and the bond “exonerated”. If no lawsuit has been filed, we will need a release agreement between the parties signed by the lien claimant and specifically releasing the lien and “exonerating” the Western National bond. The agreement needs to identify both the lien and bond by the correct dates, numbers and amounts and state that the bond is exonerated. If there is no court order or signed release, you need to provide proof that any possibility of payment is barred by the applicable statute of limitations.

Western National does not provide legal advice and we require that the principal have an attorney that is familiar with the court rules in your jurisdiction to obtain the prompt return of your collateral.

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Date of Issuance:

Irrevocable Standby Letter of Credit Number: _____

Expiry Date: _____ (one year) Place of Expiry: At our Counters

Amount: _____ (_____)

Beneficiary:

Western National Mutual Insurance Company
5350 West 78th Street
Edina, Minnesota 55439-3101

Applicant:

GENTLEMEN:

WE HEREBY ESTABLISH THIS CLEAN, IRREVOCABLE, AND UNCONDITIONAL LETTER OF CREDIT IN YOUR FAVOR FOR DRAWINGS UP TO U.S. \$ _____ EFFECTIVE IMMEDIATELY AND EXPIRING AT OUR OFFICE (BANK ADDRESS) _____ WITH THE CLOSE OF BUSINESS ON (DATE OF EXPIRATION) _____.

WE HEREBY UNDERTAKE TO PROMPTLY HONOR YOUR SIGHT DRAFT(S) DRAWN ON US, INDICATING OUR CREDIT NUMBER _____, FOR ALL OR ANY PART OF THIS CREDIT IF PRESENTED AT (BANK ADDRESS) _____ ON OR BEFORE THE EXPIRATION DATE OR ANY AUTOMATICALLY EXTENDED EXPRIATION DATE.

DRAFTS HEREUNDER MUST BE MARKED "DRAWN UNDER _____ BANK LETTER OF CREDIT NUMBER _____ DATED _____."

EXCEPT AS EXPRESSLY STATED HEREIN, THIS UNDERTAKING IS NOT SUBJECT TO ANY AGREEMENT, CONDITION OR QUALIFICATION, OUR OBLIGATION UNDER THIS LETTER OF CREDIT SHALL BE OUR INDIVIDUAL OBLIGATION AND IS IN NO WAY CONTINGENT UPON THE REIMBURSEMENT WITH RESPECT THERETO, OR UPON OUR ABILITY TO PERFECT ANY LIEN, SECURITY INTEREST OR ANY OTHER REIMBURSEMENT.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE HEREOF, UNLESS AT LEAST SIXTY (60) DAYS BEFORE ANY SUCH EXPIRATION DATE WE NOTIFY YOU BY REGISTERED MAIL ADDRESSED TO: WESTERN NATIONAL MUTUAL INSURANCE COMPANY, SURETY DEPARTMENT, 5350 WEST 78TH STREET, EDINA, MN 55439, THAT WE ELECT NOT TO RENEW THIS LETTER FOR SUCH ADDITIONAL PERIOD. IN THE EVENT THE BANK ISSUES A NON RENEWAL NOTICE, YOU SHALL HAVE AN IMMEDIATE RIGHT TO DRAW ON THIS LETTER OF CREDIT, UP TO THE FULL FACE AMOUNT OF THE CREDIT.

THIS LETTER OF CREDIT IS SUBJECT TO AND GOVERNED BY THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS OF THE INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION 600). HOWEVER, IF THIS CREDIT CONTAINS A DRAWING SCHEDULE OR A SCHEDULE OF AVAILABILITY, THEN ARTICLE 32 OF THE UCP IS HEREBY EXPRESSLY DELETED. IN ADDITION, IF THIS CREDIT EXPIRES DURING AN INTERRUPTION OF BUSINESS AS DESCRIBED IN ARTICLE 36 OF SAID PUBLICATION 600, THE BANK HEREBY SPECIFICALLY AGREES TO EFFECT PAYMENT IF THIS CREDIT IS DRAWN AGAINST WITHIN THIRTY (30) DAYS AFTER RESUMPTION OF OUR BUSINESS.

NAME OF BANK OFFICER

AUTHORIZED SIGNATURE OF BANK OFFICER

WESTERN NATIONAL MUTUAL INSURANCE COMPANY

**COLLATERAL AGREEMENT
(Liquid Collateral)**

This is a Collateral Agreement (the "Agreement") made this _____ day of _____, _____ between Western National Mutual Insurance Company, having an address at 5350 West 78th Street, Edina, MN 55439 and _____ having an address at _____ (hereinafter, "Depositor").

DEFINITIONS. The following definitions apply in this Agreement:

Principal: _____, including all of its or their subsidiaries, affiliates, successors, executors, administrators, legal representatives and assigns, now in existence or hereafter formed or acquired, and any one of them or any combination thereof, whether alone or in joint venture with others not named herein.

Surety: Western National Mutual Insurance Company, their affiliates, subsidiaries or reinsurers, and any other persons or entities which they or any one of them may procure to act as a surety, co-surety or obligor on any Bond, and any other person or entity who executes a Bond at their request on behalf of the Principal.

Bond(s): Any surety bond, undertaking, or other similar instruments of guarantee or contractual obligation, whether issued in paper form or electronically, that is issued, executed, procured or undertaken by Surety on behalf or at the request of the Principal, whether before or after the date of this Agreement, and any renewal, continuation, substitution or amendment of such bond or undertaking.

WITNESSETH:

WHEREAS, the Depositor and other persons or entities (collectively, and together with the Depositor, the "Indemnitors") have executed and delivered to the Surety one or more general indemnity agreements (as the same may hereafter be amended, modified, supplemented or restated, collectively referred to as the "General Indemnity Agreement") pursuant to which the Indemnitors have agreed to indemnify the Surety for, among other things, all losses, costs and expenses incurred by the Surety in connection with the Bonds; and

WHEREAS, the Depositor will derive direct financial, economic and other benefit from, and in connection with, the issuance of the Bonds; and

WHEREAS, as a further inducement for the Surety to issue the Bonds and accept the General Indemnity Agreement, the Depositor has agreed to execute and deliver this Agreement, granting the Surety a lien on and security interest in the assets described below;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Grant of Security Interest. As security for the prompt and complete payment and performance when due of all of the obligations (whether now existing or hereafter arising) of the Indemnitors to the Surety under the General Indemnity Agreement and all claims, demands, losses, costs, liabilities and expenses of every nature whatsoever, including without limitation, attorneys' fees, sustained or incurred by the Surety by reason of the issuance of the Bonds (collectively referred to as the "Obligations"), the Depositor hereby pledges, hypothecates and grants to the Surety a security interest in and lien on all of the Depositor's right, title and interest in and to the assets, property and other collateral described on Schedule A attached hereto and incorporated by reference herein, including, to the extent set forth therein, cash, cash equivalents, irrevocable letters of credit and other collateral, together with all interest on, dividends and distributions made in respect of, replacements or substitutions for, renewals, proceeds and products of and all records relating to the foregoing (collectively referred to as the "Collateral").

2. Collateral as Security for All Obligations. All Collateral heretofore, herein or hereafter granted to the Surety by the Depositor shall secure payment of all of the Obligations whether now existing or hereafter arising. The

Surety shall be under no obligation to proceed against any or all of the Collateral before proceeding directly against other assets of one or more of the Indemnitors.

3. Collateral.

(a) Cash Collateral. If any of the Collateral is in the form of cash ("Cash Collateral"), the Depositor shall pay such amount as set forth on Schedule A attached hereto in immediately available funds concurrently herewith in accordance with such payment instructions as shall be designated by the Surety. The Surety shall have sole dominion and control over such Cash Collateral until the release thereof in accordance with Section 12 of this Agreement. The Surety shall have no obligation to hold such Cash Collateral in a separate account and may commingle such Cash Collateral with other funds. The Surety may, but shall have no obligation to, pay the Depositor interest on the unapplied balance of the Cash Collateral at such time or times, and at such rate or rates, which may be fixed or variable, as the Surety may determine in its sole discretion from time to time. The Surety's sole obligation in respect of any Cash Collateral shall be to return the unapplied balance thereof to the Depositor in accordance with Section 12 of this Agreement.

4. Events of Default. Each of the following shall constitute an event of default (each, an "Event of Default") hereunder:

- (a) If the Depositor shall fail to pay any Obligations on demand or when the same are due;
- (b) If any representation or warranty made by the Depositor in this Agreement shall have been false or misleading in any material respect when made; or
- (c) If the Depositor breaches any covenant or agreement contained in this Agreement or breaches any of the Obligations and such breach continues unremedied for a period of ten days or longer.

5. Remedies. Upon the occurrence of an Event of Default, and in addition to any and all other rights and remedies granted to the Surety by the General Indemnity Agreement, at law or in equity:

(a) The Surety may declare all of the Obligations to be due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Depositor.

(b) All payments received by the Depositor under or in connection with any of the Collateral shall be held by the Depositor in trust for the Surety, shall be segregated from other funds of the Depositor and shall forthwith upon receipt by the Depositor be turned over to the Surety, in the same form as received by the Depositor (duly endorsed by the Depositor to the Surety, if required).

(c) The Surety may exercise all rights and remedies of a secured party under the Uniform Commercial Code as in effect in any applicable jurisdiction. Without limiting the generality of the foregoing, the Surety may, without any requirement of notice, setoff any and all amounts owing by the Depositor to it against any monies held by the Surety on behalf of the Depositor or any other property of the Depositor which may now or hereafter be in the Surety's possession or control, and such right of setoff shall be deemed to have been exercised immediately upon such stated or accelerated maturity as aforesaid even though such setoff is not noted on the Surety's records until a later time.

(d) The Surety may, to the full extent permitted by applicable law, (i) take immediate possession of the Collateral, either personally or by means of a receiver appointed by a court of competent jurisdiction; (ii) at the Surety's option, use, operate, manage and control the Collateral in any lawful manner; and (iii) collect and receive all rents, income, revenues, earnings, issues and profits there from and/or to direct any person from whom the Depositor is entitled to collect and receive the same to make all payments thereof directly to the Surety or to any other person selected by the Surety.

(e) The Depositor further agrees to do or cause to be done all such other reasonable acts and things as may be necessary to make such sale or sales of any portion or all of the Security Collateral valid and binding and in compliance with any and all applicable laws, regulations, order, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at the Depositor's expense, but excluding registration of the Security Collateral under the Securities Act. The Depositor further agrees that a breach of any of the covenants contained in this Paragraph will cause irreparable injury to the Surety, and the Surety has no adequate remedy at law in respect of such breach and, as a consequence, agree that each and every covenant contained in this Paragraph shall be specifically enforceable against the Depositor, and the

Depositor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred and is continuing.

(f) The powers conferred on the Surety hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Surety shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders, or other matters relative to any Security Collateral, whether or not the Surety has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. The Surety shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property.

6. UCC Financing Statements; Further Assurances. The Depositor shall execute any financing statement necessary or, in the opinion of the Surety, advisable to perfect the security interest created by this Agreement. From time to time, at the sole expense of the Depositor, the Depositor shall promptly execute and deliver continuation statements and all further instruments and documents, and take all further action, that may be necessary or that the Surety may reasonably request in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Surety to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

7. Power of Attorney. The Depositor hereby irrevocably nominates, constitutes, appoints and designates the Surety as its attorney-in-fact with the right, but not the obligation, to exercise all of the rights of the Depositor in and to the Collateral, and in the name of the Depositor to make, execute and deliver any and all additional or other assignments, financing or continuation statements, documents or papers deemed necessary and proper by the Surety in order to give effect not only to the intent and meaning of the within assignments, but also to the full protection intended to be herein given to the Surety under all other provisions of this Agreement. The Depositor hereby ratifies and confirms all acts and actions taken and done by the Surety as such attorney-in-fact.

8. Books and Records. The Depositor shall keep, and maintain at its residence or, if an entity, its primary office, accurate and complete books and records pertaining to the Collateral or its proceeds. The Depositor shall, from time to time promptly upon request of the Surety, make such books and records available for inspection and copying by the Surety during normal business hours.

9. Letters of Credit. If the Obligations are secured in whole or in part by an irrevocable letter of credit issued at the request of the Depositor for the benefit of the Surety, the Depositor shall provide the Surety with notice of renewal of the letter of credit at least 30 days prior to its expiration date, unless the issuer of the letter of credit is required to provide notice of non-renewal. The Depositor's responsibilities hereunder shall continue for every renewal period unless the Depositor receives written notification from the Surety that no renewal will be required thereafter. In the event the Depositor fails to provide a notice of renewal to the Surety within the time designated in this Section 9, then (i) the Surety shall have the right to make a drawing for a portion or all of the face amount of the letter of credit or (ii) if the Surety elects to attempt to obtain a renewal of the letter of credit, the Depositor shall pay a non-refundable processing fee in the amount of \$500.00 (five-hundred dollars) to the Surety, together with any other expenses, including attorneys' fees, incurred by the Surety in obtaining a renewal of the letter of credit. In satisfaction of the processing fee or other expenses, the Surety may (subject to the terms of the letter of credit) exercise its right to draw on the letter of credit or may deduct such processing fee or other expenses from the Collateral.

10. Representations and Warranties of The Depositor. The Depositor hereby represents and warrants to the Surety as follows:

- (a) (i) Each Depositor, if an entity, is duly organized, validly existing and in good standing under the laws of the state of its organization and has all requisite legal power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby, (ii) this Agreement has been duly authorized, executed and delivered by, and constitutes the legal, valid and binding obligation of the Depositor, and (iii) the execution and delivery of this Agreement, the granting of the security interest hereunder and the consummation of the transactions contemplated hereby by the Depositor will not constitute or result in any violation or breach of or default under (with or without the giving of notice or the passage of time or both), or conflict with, or require the consent or authorization of any person (whose consent has not already been obtained), or create any lien in favor of any person other than the lien created in favor of the Surety hereby, pursuant to (A) any applicable laws, (B) the Depositor's certificate of incorporation or by-laws or equivalent

formation or organizational documents, or (C) any agreement, instrument, judgment or order to which the Depositor is a party or by which it or any of its assets are bound.

(b) The Depositor is the sole owner of each item of Collateral and has good and marketable title thereto, free and clear of any and all liens, claims or encumbrances of any nature whatsoever.

(c) No security agreement, financing statement, mortgage, deed of trust or equivalent security or lien instrument covering all or any part of the Collateral has been executed by the Depositor or is on file or of record in any public office.

(d) This Agreement constitutes a valid and continuing lien on and security interest in the Collateral in favor of the Surety, prior to all other liens, encumbrances, security interests and rights of others, and is enforceable as such or against creditors of and purchasers from the Depositor. All action necessary or desirable to protect and perfect such security interest in each item of Collateral has been duly taken or is being taken concurrently herewith.

(e) Schedule B attached hereto sets forth the exact legal name of the Depositor, the jurisdiction of its incorporation, formation or organization, its federal tax identification number, social security number, state registration number and/or similar governmental registration number, and the location of the Depositor's residence or, if an entity, its primary office, which is the place where its records concerning the Collateral are kept.

(h) The Agreement Collateral, true and complete copies of which have been furnished to the Surety, have been duly authorized, executed, and delivered by all parties thereto, have not been amended or otherwise modified, are in full force and effect and are binding upon and enforceable against all parties thereto in accordance with their respective terms. There exists no default under any Agreement Collateral by any party thereto. Each party to the Agreement Collateral has executed and delivered a consent to the assignment of such Agreement Collateral to the Surety pursuant to this Agreement.

11. Covenants of The Depositor.

(a) The Depositor will not create, assume or incur or cause or suffer to be created, assumed or incurred, or permit to exist, any liens on the Collateral except for the lien created or otherwise permitted hereby, and the Depositor will defend the right, title and interest of the Surety in and to any of the Depositor's rights to the Collateral and in and to the proceeds and products thereof against the claims and demands of all persons whomsoever.

(b) The Depositor, if an entity, will not consolidate with or merge into any corporation or other entity or permit any corporation or other entity to merge into it without the prior written consent of the Surety, and, if the Surety, without having any obligation to do so, provides such consent, the Depositor shall, upon receipt of such consent, take such actions, and execute and deliver such documents, as the Surety shall reasonably deem necessary or advisable to preserve the lien granted hereunder and the priority thereof.

(c) The Depositor will immediately notify and advise the Surety, in reasonable detail, (i) of any lien asserted or claim made against any of the Collateral, (ii) of any material change in the composition of the Collateral, and (iii) of the occurrence of any other event which would have a material effect on the value of the Collateral or on the security interest created hereunder.

(d) The Depositor will not change its name, identity or structure in any manner, nor will the Depositor change the State in which it resides or, if an entity, the jurisdiction of its incorporation, formation or organization, location of its chief executive office or its record-keeping location, remove any of its books and records or the Collateral to any location other than as set forth in Schedule B hereto or take any other action which may result in the Surety's lien hereunder becoming unperfected as to any Collateral unless, in each case, the Depositor shall have given the Surety at least thirty (30) days' prior written notice thereof and shall have taken all action necessary or reasonably requested by the Surety to preserve the lien granted hereunder and the priority thereof.

(e) In the event that any of the Collateral consists of chattel paper, notes or other instruments or negotiable documents, the Depositor shall from time to time promptly deliver the same to the Surety, with any necessary endorsement.

(f) Except as otherwise provided herein, the Depositor shall continue to collect, at its own expense, all amounts due or to become due the Depositor under the Collateral. In connection with such collections, the Depositor may take (and, at the Surety's direction, shall take) such action as the Depositor or the Surety may deem necessary or advisable to enforce collection thereof; provided, however, that the Surety shall have the right upon the

occurrence and during the continuance of an Event of Default or an event which, with the giving of notice or the lapse of time, or both, would become an Event of Default, to notify the account debtors or obligors under any Collateral of the Surety's interest therein and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Depositor thereunder directly to the Surety and upon such notification and at the expense of the Depositor, to enforce collection thereof, and to adjust, settle, or compromise the amount or payment thereof, in the same manner and to the same extent as the Depositor might have done.

12. Return and Release of Collateral. Upon the final and irrevocable payment and performance in full of all of the Obligations (including warranties), and the complete termination of the Surety's exposure under all Bonds, the lien and security interest in the Collateral created hereby shall terminate and the Surety shall return to the Depositor any of the Collateral then in its possession or control and the Surety shall, at the Depositor's sole cost and expense, execute and deliver to the Depositor such instruments and documentation, and take such further actions, as the Depositor shall reasonably request in order to evidence and effectuate such release, including, but not limited to, appropriate Form UCC-3 termination statements.

13. Indemnity and Expenses.

(a) The Depositor agrees to indemnify the Surety from and against any and all claims, losses, and liabilities (including reasonable attorney fees) growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses, or liabilities resulting from the Surety's gross negligence or willful misconduct.

(b) The Depositor will upon demand pay to the Surety the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Surety may incur in connection with (i) the administration of this Agreement; (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral; (iii) the exercise or enforcement of any of the rights of the Surety hereunder; or (iv) the failure by the Depositor to perform or observe any of the provisions hereof.

14. Security Interest Absolute. All rights of the Surety and the pledge, assignment, and security interest hereunder, and all obligations of the Depositor hereunder, shall be absolute and unconditional, irrespective of:

(a) Any lack of validity, regularity, or enforceability of the General Indemnity Agreement, the Bonds or any other agreement or instrument relating thereto;

(b) Any change in the time, manner, or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the General Indemnity Agreement, the Bonds or any other agreement or instrument relating thereto, including, without limitation, any increase in Obligations however arising, whether by the extension of credit or otherwise;

(c) Any taking, exchange, release, or nonperfection of any security or Collateral, or any taking, release, or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations;

(d) Any manner of application of Collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any Collateral for all or any of the Obligations or any other assets of the Depositor;

(e) Any change, restructuring, or termination of the corporate or other entity structure or existence of the Depositor, if applicable; or

(f) Any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Depositor.

14. Miscellaneous.

(a) Non-Waiver. None of the provisions of this Agreement shall be considered waived by either party except when such waiver is given in writing. The failure of either party to insist in any instance on strict performance of any of the provisions of this Agreement shall not be construed as a waiver of any such provision or the relinquishment of any rights hereunder in the future, but the same shall continue and remain in full force and effect.

(b) Collateral Information Release. The Depositor authorizes the Surety to periodically confirm the status of the Collateral with any financial institution, broker, agent or intermediary with which any Collateral may be

deposited and to otherwise take any action which the Surety, in its sole discretion, may deem reasonable, necessary or proper to confirm the status of such Collateral.

(c) Real Property - Mortgage. If the above-described Collateral consists in whole or in part of real property, the Depositor shall provide to the Surety simultaneously with the execution of this Security Agreement, such documentation as is required in the jurisdiction in which the real property is located to grant a mortgage to the Surety against such real property in order to secure the Obligations specified herein.

(d) References. Wherever used in this instrument, the plural shall include the singular, the singular shall include the plural, and the neuter shall include both genders, as the circumstances require.

(e) Entire Agreement; Amendments. Except as otherwise provided herein, this Agreement constitutes the entire agreement between the parties and replaces or supersedes any and all prior agreements, representations or understandings between the parties relating to the Collateral, which is the subject matter of this Agreement. None of the terms and conditions contained herein may be added to, deleted, modified or altered except by a written instrument signed by both parties. Notwithstanding the foregoing, this Agreement is in addition to the terms of the General Indemnity Agreement, which shall remain in full force and effect, and nothing contained herein shall be construed to limit, reduce or diminish in any way the obligations of the Indemnitors under the General Indemnity Agreement.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

(g) Notices. All notices required by this Agreement shall be in writing and hand delivered or sent by certified mail, return receipt requested, or by a reputable overnight courier providing a receipt against delivery, to the parties at the addresses set forth above or to such other address as a party may designate by like notice. All notices required hereunder shall be effective upon receipt, if hand delivered; three business days after being sent by certified mail; or one business day after being sent by overnight courier.

(h) Section Headings. The section headings used in this Agreement are for convenience only and shall not affect the construction of any terms of this Agreement.

(i) Surety's Costs. The Depositor further agrees to reimburse the Surety for all attorneys' fees, costs and expenses, including any in-house attorneys' fees, incurred in the Surety's defense of any action brought by the Depositor to effect the return of the Collateral, if the court subsequently upholds the Surety's position in retaining that Collateral.

(j) Severability. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, the parties agree that this Agreement shall continue in full force and effect without said provision and further agree to substitute therefore a valid provision that most closely approximates the economic effect and intent evidenced by the invalid provision; provided, that no such severability or substitution shall be effective if it materially changes the economic benefit of this Agreement to any party.

(k) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The undersigned agree that any scanned or electronically digitized copy of this document made by Surety as part of any record storage and retention program shall be as effective as the original for all purposes.

(l) Legal Counsel. The parties represent that each party has been represented by legal counsel in connection with the negotiation and execution of this Agreement. This Agreement shall not be interpreted in favor of any party due to the fact that this Agreement was prepared by another party's legal counsel.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

Depositor:

By: _____

Name:

Title:

Employer I.D. or Social Security No.:

Surety: Western National Mutual Insurance Company

By: _____

Name:

Title:

Schedule A

Description of Collateral subject to this Agreement:

Cash in the amount of \$ _____

Irrevocable Letter of Credit Number _____ Dated _____

In the amount of \$ _____ Issued by _____

_____ (Bank).

Other: _____

Schedule B

Location of Residence of Individual or Primary Office of Depositor