



RLI Insurance Company  
P.O. Box 3967 Peoria IL 61612-3967  
Phone: 309-692-1000 Fax: 309-692-8637

## INSTRUCTIONS FOR IRREVOCABLE LETTER OF CREDIT

1. Letter of Credit (1 page)
  - a. The attached format letter must be issued on the bank's letterhead, and a bank officer must sign the letter.
  - b. The bank must follow this format and may not change the wording. If the wording is changed, the letter of credit will be rejected.
  
2. Collateral Agreement and Receipt (2 pages)
  - a. To be completed by applicant
    - i. Complete the information at the top.
    - ii. Following "...as Surety may procure to execute said bonds(s):", fill in:
      1. Irrevocable Letter of Credit Number: \_\_\_\_\_
      2. In the Amount of: \_\_\_\_\_
      3. Issued by: \_\_\_\_\_ (bank name)
      4. Dated: \_\_\_\_\_
      5. To Expire on: \_\_\_\_\_
        - a. Example: Irrevocable Letter of Credit Number 32, in the amount of \$50,000.00, issued by ABC Bank, dated April 4, 2003 to expire on April 4, 2004.
    - iii. Second page of Collateral Agreement and Receipt
      1. Fill in date on upper section of form and have the Pledgor sign.
      2. Do not fill in bottom section. This will be done when Letter of Credit is returned.
    - iv. Two (2) originals of the Collateral Agreement and Receipt will be produced (one (1) copy for Pledgor to keep and one (1) copy to be sent with original Letter of Credit).
  
3. Send this original Letter of Credit with one copy of the Collateral Agreement and Receipt with original signature to:

**RLI Insurance Company**  
Attn: Surety Division  
P.O. Box 3967 Peoria, IL 61612-3967  
Phone: (309)692-1000

# SAMPLE

(To be typed on Bank Letterhead)

**RLI Insurance Company**

Attn: Surety Division  
9025 North Lindbergh Drive  
Peoria, IL 61615

IRREVOCABLE LETTER OF CREDIT NUMBER: \_\_\_\_\_

We have established this clean, irrevocable and unconditional Letter of Credit in your favor at the request of \_\_\_\_\_

for drawing up to \_\_\_\_\_  
(\_\_\_\_\_) U.S. Dollars.

We hereby undertake and promptly honor your sight draft(s) drawn on us for all or any part of the amount stated above, upon presentation of your draft(s) drawn on us at our offices.

Drafts under this Credit must bear their face words: "Drawn under \_\_\_\_\_  
\_\_\_\_\_  
(Name of Bank)

Bank Letter of Credit No. \_\_\_\_\_ dated \_\_\_\_\_."

Except as stated herein, this undertaking is not subject to any requirement or qualification. Our obligation under this Letter of Credit is the individual obligation of the Bank, and is in no way contingent upon reimbursement with respect thereto, or upon our ability to perfect any lien or security interest.

This Letter of Credit expires on \_\_\_\_\_, but will automatically extend without amendment for one (1) year from the expiration date, or any future expiration date unless forty (40) days prior to such expiration date we notify you by registered mail that this Letter of Credit will not be renewed. Upon receipt by you of such notice, you may draw on us hereunder by means of your draft at sight for the full amount of Letter of Credit.

This Letter of Credit is subject to the Uniform Customs Practice for Documentary Credits of the International Chamber of Commerce (ICC Publication Number 600, 2007 revision), or any successor publication.

\_\_\_\_\_  
Signature of Bank Officer

\_\_\_\_\_  
Title



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# COLLATERAL AGREEMENT AND RECEIPT

Bond Number(s) \_\_\_\_\_ Effective Date \_\_\_\_\_ Agency \_\_\_\_\_

Principal(s) \_\_\_\_\_

Kind of Bond(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 the above captioned bond, or any other 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 rights given to Surety under this agreement shall be consistent with the Assignment of Account or Deposit for Security Purposes.

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 \_\_\_\_\_  
Pledgor

By \_\_\_\_\_  
Roy C. Die \_\_\_\_\_  
Vice President

A handwritten signature in black ink, appearing to read "Roy C. Die", written over a horizontal line.

(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