

U.S. CUSTOMS BOND APPLICATION & INDEMNITY

Return Completed Application to: _____

Customs Broker Name: _____

Contact Name: _____

Phone: _____

Fax: _____

Customs Broker: Please fax this document to Avalon Risk Management, Inc. at 847-670-9260 for final approval.

Principal/Indemnitor Information

Name: _____

Individual/Sole Proprietorship Partnership Corporation, State of _____ Years in Business _____

Address: _____ City: _____ State: _____ Zip Code: _____

Telephone: _____ Fax: _____

Importer Contact Name: _____

Previous Surety: _____ How many years has principal been doing business with CHB? _____

Is Credit Extended? YES NO If yes, how much credit is extended? \$ _____

| | Yes | No |
|---|--------------------------|--------------------------|
| Has the Principal or any partner/officer ever filed any form of bankruptcy? | <input type="checkbox"/> | <input type="checkbox"/> |
| Has any surety ever paid a claim on your behalf? | <input type="checkbox"/> | <input type="checkbox"/> |
| Has Customs ever suspended immediate delivery privileges or placed you on sanction? | <input type="checkbox"/> | <input type="checkbox"/> |
| Has Customs ever investigated the Principal or any partner/officer for fraud or negligence? | <input type="checkbox"/> | <input type="checkbox"/> |

If you answer "yes" to any of the above questions, please provide details on a separate sheet of paper.

Indemnity Agreement

KNOW ALL MEN BY THESE PRESENTS, that the Principal ("Principal" or "Indemnitor(s)") has requested, and upon condition that this Indemnity Agreement be executed, the Company has executed, or may execute, bonds on behalf of the Principal.

NOW, THEREFORE, the Indemnitors, their administrators, executors, heirs, successors and assigns jointly and severally hereby agree with the Company, its successors, assigns, authorized agents, co-sureties and reinsurers ("Company"):

1. To indemnify the Company and hold it harmless from and against any and all attorneys' fees, costs, damages, demands, liabilities, losses and expenses, regardless of the nature, which arise by reason of, or as a consequence of, the Company executing a bond on the Principal's behalf, and whether or not the Company has paid any sums, including, but not limited to: expenses paid or incurred in connection with claims, judgments or suits under its bonds; sums paid (including interest), or liabilities incurred, in settlement of claims; expenses paid or incurred in enforcing the terms of this Indemnity Agreement; expenses paid or incurred by the Company in procuring, or attempting to procure, release from liability under its bond; expenses incurred in recovering, or attempting to recover, losses or expenses paid or incurred; attorneys' fees, costs or expenses; accounting, engineering or investigation services; adjustments of claims; premiums on bonds issued by the Company.
2. To procure, at the Company's request, the discharge from any bond, and all liability thereunder, whether or not a claim has been made against the Company. The Company has every right, defense, or remedy available, including the right of exoneration and replevin or to take possession of the bonded merchandise upon notification of any violation of the terms and conditions of the bond.
3. To immediately deposit with the Company, at the Company's request, an amount sufficient to cover a reserve, and any increase thereof, in the event the Company is required, or deems it necessary, to set up a reserve to cover any contingent claim, costs, loss, attorneys' fees and disbursements, or other expenses in connection with any bond it issues, and regardless of any proceedings contemplated or taken by the Indemnitors, or the pendency of any appeal. The Company will hold such funds as collateral, in addition to the indemnity afforded by this Indemnity Agreement, with the right to use these funds, or any portion thereof, at any time, in payment or settlement of any claims, damage, judgments, liability, loss, attorneys' fees and disbursements, or other expenses.
4. To agree to the following general provisions:
 - a. Any property which may have been, or may be, pledged as collateral security for any bonds may, at the Company's discretion, be retained as collateral security on any bond falling under the scope of this Indemnity Agreement, whether or not executed, and whether or not executed or reinsured by the Company, and for the full and complete performance of the Indemnitors' covenants under this Indemnity Agreement. In the case of any breach of the Indemnitors' covenants, or in case the Company finds it necessary to raise money to meet any actual or prospective claim or demand under any bond, or to pay any expense incurred in connection therewith, the Company has full power and authority, without notice to the Indemnitors, to negotiate or redeem any checks or certificates of deposit, or to draw upon any letters of credit, and to use any or all of the proceeds, in order to protect itself against loss, costs, damages, attorneys' fees and expenses. After deducting all legal and other costs, and all loss, costs, damages, attorneys' fees and expenses, and all premiums due the Company for any bond or bonds, the Company shall return the remainder of the collateral, if any, to the person or persons legally authorized to receive it. The Company shall not be responsible for any loss to the property from any cause other than the act or neglect of its officers or employees. The Company shall not be responsible for paying interest, or loss of interest, to depositor or any other party on such deposits;
 - b. The Company may, at any time, without releasing or discharging the Principals from any action, claim, costs, damage, demand, liability, or any other expense incurred or accrued, take such action as is or may be deemed necessary and/or proper, to obtain its release from any and all bond liability. The Principals also agree to further secure and indemnify the Company against any and all attorneys' fees, charges, liabilities and expenses of any nature which the Company sustains or incurs or is subject to in obtaining the release;

c. The Principals agree to give the Company prompt written notice of any and all facts which may give rise to any action against the Company relating to any bond. If the Principals fail to petition, protest, defend or settle any such action taken by the Oblige, pursuant to the bond, the Principals agree that the Company may petition, protest, defend or settle such action to protect its interests by whatever means it considers appropriate. The determination as to whether any such action is petitioned, protested, defended or settled is binding and conclusive upon the Principals, and the result of any such petition, protest, defense or settlement is binding in whole or in part, as if it were the act of the Principals. Evidence of payment is prima facie evidence of the fact and extent of the Principals' liability to the Company. Liability hereunder extends to, and includes, the full amount of any and all monies paid by the Company in settlement or compromise of any action, in good faith under the belief that it was liable therefore, whether liable or not, as well as any and all disbursements for attorneys' fees, costs, and expenses as aforesaid, which may be made under the belief that such were necessary, whether necessary or not. The Principals understand that any action taken to petition, protest, defend or settle any action by the Oblige under the bond, whether the action is initiated by the Principals or the Company, does not excuse the Principals from the timely payment of bills for the bond or for amounts paid in pursuance thereof.

d. The Principal understands that bonds are a credit relationship and authorizes the Company to gather any credit information it considers necessary and appropriate for purposes of evaluating whether such credit should be given or continued. Upon request by the Company or its agent, Principal agrees to immediately provide current financial information including, but not limited to, audited financial statements. Principal agrees to immediately notify the Company in writing of the institution of any proceedings, whether voluntary or involuntary, into bankruptcy, insolvency or reorganization, involving the Principal. It is understood that liability under bonds may continue for a period of time after execution or termination of a bond and that the Principal's obligation to provide financial information, when requested, continues until the Company has adequate written evidence establishing that all liability under any and all bonds issued by the Company has been fully extinguished;

e. Nothing contained in this Indemnity Agreement is considered or construed to waive, abridge, or diminish any right or remedy which the Company might have if this instrument were not executed;

f. The invalidity of any provision of this Indemnity Agreement, by reason of the law of any state or any other reason, does not affect the validity of any other provision of the Indemnity Agreement;

g. Where a bond has been executed for the importation of merchandise, or transportation in-bond of imported merchandise, to consent to service of process upon the Customs broker or agent who executed the bond on behalf of the Principal. Principals further consent to such service, at the Company's sole option, at the original port of entry, the final port of entry, or other place, as may be a place of business of the Customs broker or agent. The Principal consents to jurisdiction at the place of service;

h. Where the bonded merchandise is a motor vehicle, a condition of executing the bond is the immediate delivery of the vehicle to a Company-approved bonded conversion facility. The delivery must occur directly from the port of entry to the conversion facility in order to perform all conversions necessary to bring the vehicle into conformity with United States Environmental Protection Agency and Department of Transportation emission and safety standards.

5. To consent to provide the Company, any bond Oblige and/or Customs broker, any and all information relative to entries or other transactions under any bond.

6. To consent to their lawful agent or attorney-in-fact executing and filing bonds, by electronic or such other means as is elected instead of paper documents, and agree in those instances to be bound by this Indemnity Agreement and the terms and conditions of any bonds as fully and completely as they would be if paper documents had been used and manually executed.

7. The Principals understand and agree that the bond or undertaking is subject to termination if the Principals no longer use a licensed Customs broker satisfactory to the Company.

8. In the event of notice, whether preliminary or not, of claim, to give the Company the right to free access to the necessary books, records and accounts of the Principals for the purpose of examining and copying them.

9. To hereby waive:

a. All right to claim any property, including homestead, as exempt from execution, levy or sale, or other legal process, under the laws of any state;

b. Any defense based upon the execution of the Indemnity Agreement subsequent to the date of any such bond; the Principals admitting and covenanting that the execution of any bond by the Company was in pursuance of the previous request of the Principals. If the execution of this Indemnity Agreement by any one Principal is found defective or invalid for any reason, such defect or invalidity does not affect the validity of this Indemnity Agreement with respect to any of the other Principals;

c. Notice of any breach of any bond, or any act or default that gives rise to a claim;

d. Any right to ask or require the Company to remove or join in any application for the removal of any proceeding from a state court to a federal court;

e. Notice of the acceptance of this obligation and of execution of any bond.

Customs Related Information

Importer Number: _____ Previous Importer Number: _____

STB CTB Bond Amount: \$ _____ Effective Date: _____

Activity Code:

1 (Entry type: _____) 1A 2(Custodial Type: _____) 3 3A 4 5 6 7 8 9 10

Merchandise Information

Description of Merchandise: _____ Country of Origin: _____ Port of entry: _____

Merchandise Subject to FDA? YES NO Is FDA Merchandise Subject to Automatic Detention? YES NO

Value of merchandise: Last year: \$ _____ AD/CVD Margin (if applicable) _____

Duties & taxes: Paid last year: \$ _____ Estimated current year: \$ _____

Duties & taxes will be paid: with entry with entry summary

Acknowledgement Section

CUSTOMS CERTIFICATION: I certify that the factual information contained in this application is true and accurate and any information provided which is based upon estimates is based upon the best information available on the date of this application.

I agree to be bound by the Indemnity Agreement as shown in the body of this application. I do hereby swear that I am fully empowered to bind, by my signature, the legal entity listed as Principal.

Signed and sealed this _____ day of _____, _____

TYPED OR PRINTED PRINCIPAL NAME & TITLE

PRINCIPAL'S SIGNATURE

CORPORATE SEAL

This Section for Use by Avalon Risk Management, Inc. Only

Bond approved: Yes No By: _____ Date: _____

Requirements: Collateral: \$ _____ Financial Statement Other: _____

PLEASE ATTACH MOST RECENT COPY OF YOUR FINANCIAL STATEMENT, IF AVAILABLE.