THIS TRUST AND SECURITY AGREEMENT (the "Agreement") is made and entered into at _____, California, on
PLACE OF EXECUTION
_____ By and among _____,
DATE OF EXECUTION NAME OF INSURER
an insurer authorized to write workers' compensation insurance in the State of California hereinafter called the "Grantor". The _____,
NAME AND ADDRESS OF AUTHORIZED FINANCIAL INSTITUTION
authorized to carry on business in the state of California, hereinafter called the "Trustee" and the Insurance Commissioner of the state of California, hereinafter called the "Beneficiary."

WHEREAS, workers' compensation insurers writing such insurance in the State of California are authorized to establish a deposit and enter into a trust agreement concerning such deposit with a bank, savings and loan association or trust company under section 11691 of the Insurance Code and regulations set forth in Article 9.5, Subchapter 3, Chapter 5, Title 10, of the California Code of Regulations, and

WHEREAS, said deposit placed pursuant to the requirements set forth in Sections through 2509.21, Title 10, of the California Code of Regulations, may be retained by a bank, savings and loan association or trust company duly-licensed in California, and

WHEREAS, the Trustee desires to deposit certain securities constituting the deposit with qualified depositories located in reciprocal states as those terms are defined in California Insurance Code Section 1104.9 (herein a "Qualified Depository"); and

WHEREAS, in order for the Trustee to make a deposit of securities in a Qualified Depository, it must be a bank licensed to do business and located in California and is a "qualified custodian" as defined in paragraph (1) of subdivision (a) of Section 1104.9 of the California Insurance Code which maintains deposits of at least Seven Hundred and Fifty Million Dollars ($750,000,000; and

WHEREAS, the Trustee qualifies as such a bank, savings and loan association or trust company and is duly- licensed in California,

NOW, THEREFORE, THE PARTIES HEREUNTO AGREE AS FOLLOWS:

ARTICLE I
DEPOSIT AND SECURITY INTEREST

The parties hereby establish a trust account with the Trustee for the sole and exclusive use and benefit of the Beneficiary upon hereof shall include any successor of the named Beneficiary. Grantor hereby deposits with Trustee and Trustee hereby accepts the securities set forth in schedule "A" attached hereto and made a part hereof. Trustee hereby agrees to hold these securities in the "Deposit". In accepting said Deposit, Grantor and Trustee agree to abide by the terms stated herein, the California

Insurance Code, and Article 9.5, Subchapter 3, Chapter 5, Title 10, of the California Code of Regulations.

Grantor hereby assigns, pledges and grants to Beneficiary a first and prior continuing security interest in and on all its rights, title and interest in and on all securities now or hereafter on deposit in the trust account to secure the payment of all workers' compensation insurance transactions in this State. Grantor hereby represents and warrants that it is the sole beneficial owner of all of the securities in the deposit, free and clear of any and all liens or encumbrances thereon, except for the lien created by this Agreement.

ARTICLE II
DUTIES AND POWERS

A. Trustee agrees to render to the Beneficiary a report, as of December 31st, and at any time upon the request of the Beneficiary, but in no event to exceed ten (10) business days from the date of the request, containing an accounting identifying and listing the deposit. All accounting shall be certified to be true and correct according to the best information and belief of the Trustee.

B. Current deposit value for securities shall be lower of par or market, except that preferred stock and common stock are to be valued at market value. As respects promissory notes, which are placed on deposit, the Trustee may rely, in good faith, upon representations of the Grantor as to the deposit value of such notes. All valuations must be made within thirty (30) days prior to submission of the report. All accounting shall be certified to be true and correct according to the best information and belief of the Trustee.

C. The Trustee shall indemnify the Grantor for any loss, damage or injury sustained by the Grantor with respect to any securities deposited pursuant to this Agreement including loss occasioned by employee dishonesty, burglary, robbery, theft or mysterious disappearance, unless such loss should be caused by nuclear contamination from a cause other than the industrial use of nuclear energy, expropriation by governmental authority, war, insurrection or revolution. The Trustee agrees that if there is a loss of securities in its custody, the Trustee will replace them or the monetary value thereof, and the monetary value of any loss of rights or privileges resulting from said loss of securities, within ten (10) business days, unless, pursuant to an agreement with the Beneficiary extra time is granted, from the date that said securities cannot be accounted for by the Trustee. Also, immediately upon discovery, the Trustee shall notify the Beneficiary of the loss and the proposed action to be taken by the Trustee in connection therewith.

D. The Trustee agrees to hold said deposits separate from its own assets and all of the deposits held by it, except where it uses the Federal Reserve Bank book-entry account, or where it has its own FOSBI system (filing of securities by issuer), or uses a Qualified Depository. The Trustee may not utilize any intermediary to access the federal

book-entry system or a qualified depository. In the case of the utilization of federal book-entry, the Trustee must be a member of the Federal Reserve. In the case of utilization of a Qualified Depository, the Trustee must go directly to the Qualified Depository. In using such Qualified Depository, the Trustee herein agrees to and is obligated to indemnify the Grantor for loss or damage to based upon the actual omissions of its agent (here the Qualified Depository utilized by the Trustee) so as to protect the Grantor's deposit in connection with such transaction. The Trustee agrees that it shall assume the same responsibility and liability to the Grantor for loss of such securities in connection with the entrusting to and handling of the securities by the Qualified Depository, to the same extent that the Trustee would be responsible for its handling of the securities directly and exclusively. Grantor assigns its rights, if any, to recover from the Qualified Depository to the Trustee in return for this indemnification and agrees that it will provide reasonable assistance to the Trustee in order that the Trustee may recover any loss or liability from the Qualified Depository.

E. (For use where ownership is evidenced by credit on the books of account and records in the Federal Reserve Bank.) Said Trustee, in the exercise of its powers as such Trustee, has caused to be credited in its name on the books and records of the Federal Reserve Bank the sum of $_____, representing the face amount of eligible United States Government and Agency securities listed in Schedule "B" attached hereto and made a part of the Deposit. The Trustee represents to all parties hereto that such schedule is a true and complete statement of the eligible United States Government and Agency securities included among the total of such securities held in a "General" book-entry account maintained in the name of such Trustee on the books and records of the Federal Reserve Bank as of the close of business on _____, 20___. The Trustee undertakes to clearly indicate in its books and records the purpose of this deposit.

F. (For use where ownership is evidenced by credit on the books of account and records in a Qualified Depository). Said Trustee, in the exercise of its powers as such Trustee, has caused to be credited in its name on the books and records of _____, a Qualified Depository the sum of $_____, representing the face amount of eligible securities listed in Schedule "C" attached hereto and made a part of the Deposit. The records of the Qualified Depository shall bear no markings or reference to the Grantor. The Qualified Depository is located in a reciprocal state as defined in Insurance Code Section 1104.9. The securities deposited are only those securities registered with the Qualified Depository. The Trustee represents to all parties hereto that such schedule is a true and complete statement of the eligible securities included among the total of such securities held in a "General" book-entry account maintained in the name of such Trustee on the books and records of the Qualified depository as of the close of business on _____, 20___. The Trustee undertakes to clearly indicate in its books and records the purpose of this deposit.

G. Grantor shall submit and Trustee shall accept for deposit such securities, including preferred and common stock, only in coupon or bearer form, negotiable form,

in the form of a credit registered to Trustee's account with a Qualified Depository or Federal Reserve Bank, registered to the Beneficiary, or in the name of the Trustee, or in the name of a nominee of such Trustee, or its agent in accordance with the laws of this State permitting use of nominees. If registered in the Grantors' name, the securities must be accompanied by a power of attorney and a board of directors resolution on forms approved by the Beneficiary, as set forth in the Beneficiary's Securities Transaction Instructions, and as required by section 2509.15, Title 10, of the California Code of Regulations.

H. Grantor agrees to submit for deposit only such securities as are acceptable for deposit pursuant to Article 9.5, Subchapter 3, Chapter 5, Title 10 of the California Code of Regulations.

I. At any time, Grantor may substitute approved securities of at least equal value for those held by the Trustee or place additional securities on deposit in accordance with the requirements set forth herein. Grantor shall certify that the substituted or additional deposit is in compliance with Sections 943, 944, 951, and 11691 of the California Insurance Code and Article 9.5, Subchapter 3, Chapter 5, Title 10 of the California Code of Regulations. The certification shall be signed by (2) authorized officers of the Grantor and submitted to the Trustee.

Withdrawal without replacement is permitted only with the Beneficiary's prior written approval.

The Trustee shall have no responsibilities with respect to the investment and reinvestment of the property held by it under this Agreement. All sales, purchases, exchanges or other transactions respecting securities or other property which may be made by the Trustee for the account of the Grantor shall be made only pursuant to instructions of the Grantor or of the Grantor's designated representative. Absent such instructions, the Trustee shall have no responsibility for the investment or reinvestment of such property nor liability for any omission to act in the absence of instructions. Notwithstanding anything contained herein to the contrary, the Trustee shall, upon written request of the Beneficiary, pursuant to Article I, Chapter 3, Part 3, Division 2 of the California Insurance Code immediately assigned and deliver to the Beneficiary any and all securities held in the Deposit or held under the terms of the Agreement. No other statement or document need be presented by the Beneficiary to the Trustee in order to withdraw all securities held in the Deposit. Upon receipt of the Beneficiary's written instructions, the Trustee shall immediately take any and all necessary steps to transfer absolutely and unequivocally to the Beneficiary or to its order all right, title and interest in the securities being withdrawn.

The Grantor and not the Trustee shall be responsible for all property held under this Agreement paid and/or delivered to any broker or other person specified by Grantor in such manner as Grantor may direct. The Trustee is directed to sell all fractional shares received by it unless notified to the contrary by the Grantor. The Trustee shall not vote proxies. All proxies shall be forwarded to the Grantor.

The Trustee shall either reinvest net income or distribute it as Grantor may direct from time to time. The Trustee shall distribute Principal cash as Grantor may direct from time to time. Securities may likewise be withdrawn pursuant to such direction subject to the qualification that the Trustee may retain such funds and securities as it determines to necessary to complete any pending buy or sell transactions and that such withdrawal complies with the terms of this Agreement. The Trustee shall prepare a monthly statement, in the usual form for accounts of this type and shall deliver the same to the Grantor and to any representative designated by Grantor.

J. The Grantor shall furnish to the Beneficiary and the Trustee its determination of its current deposit requirements under Section 11691 of the California Insurance Code, prior to the effective date of this Agreement, and thereafter on the same basis as reported to the Beneficiary on Schedule P, as of December 31st of each year.

K. Written notice of the sale or substitution of any security or the deposit of additional security as well as an accounting which reflects a deposit value of security being placed on deposit shall be prepared by the Grantor and signed, sealed and dated by two (2) authorized officers of the Trustee within ten (10) business days of the settlement or deposit date.

L. Trustee will, at all times and without prior notice, make available its books and records of such Deposit held under this agreement for audit, examination and inspection by the Grantor or by the Beneficiary.

M. Grantor hereby directs and Trustee agrees, upon written request of the Beneficiary, pursuant to Article 1, Chapter 3, part 3, Division 2 of the California Insurance Code, to immediately assign and deliver to the Beneficiary upon demand any and all securities deposited in or held under the terms of this Agreement.

N. Trustee agrees that it shall not and does not have the power to use, pledge, invest, encumber or subject said Deposit to any lien or claim by Trustee.

O. Trustee agrees that it shall immediately notify Beneficiary in the event that a party not a party to this Agreement, tries to seize or make any other demand with respect to the Deposit, and such act or claim is made known to the Trustee.

ARTICLE III
COMPENSATION, RESIGNATION AND TERMINATION CLAUSES

A. Other than under the terms of any instrument deposited pursuant to the terms of this Agreement, Trustee shall not be under any liability for payment of interest on a deposit made hereunder.

B. Trustee shall be entitled to reasonable compensation for all services, ordinary and extraordinary, rendered by it pursuant to the terms of this Agreement, including reasonable attorney's fees for services of counsel. The Deposit shall not be utilized for the purpose of paying compensation to, or reimbursing the expenses of, the Trustee. Grantor shall be billed for and pay all costs of fees charged by the Trustee for acting as Trustee under this Agreement, including fees for legal services incurred by the Trustee as a result of the Trustee's so acting, if the Trustee deems such service necessary. Trustee shall not be required to comply with any direction of the Grantor, which in its judgment may subject it to liability or expense, or to prosecute or defend any action, unless indemnified in a manner and amount satisfactory to it.

C. Trustees may resign upon giving at least sixty (60) days notice by certified mail in writing to the Grantor and the Beneficiary, provided that no such resignation or removal shall be effective until successor Trustee has been appointed by Grantor and approved by Beneficiary and has accepted such appointment and all assets in the deposit have been duly transferred to such successor Trustee. Upon delivery of all securities in the deposit to the successor Trustee and the sending of a final account to the Grantor and the Beneficiary, the Trustee shall be released and discharged from any further obligation hereunder. In such event, any successor Trustee shall be appointed in the same mode and manner as provided for under Sections 11690 through 11691 of the California Insurance Code, Article 9.5, Subchapter 3, Chapter 5, Title 10 of the California Code of Regulations and shall agree to act in accordance with all agreements to the Trustee hereunder.

D. This Agreement shall be effective until terminated by sixty (60) days' notice by certified mail in writing sent by the Grantor to the Trustee and Beneficiary. Upon the effective date of termination of the Deposit, Grantor shall not be allowed to withdraw the deposit unless Grantor shall have delivered, in the required amount, a letter of credit to the Beneficiary, or deposited securities with any other approved Trustee, as set forth in Section 11691 of the California Insurance Code, all in compliance with the requirement set forth herein, the California Insurance Code, and the regulations of the Beneficiary set forth in Article 9.5, Subchapter 3, Chapter 5, Title 10 of the California Code of Regulations, and pursuant to the prior written approval of the Beneficiary.

E. In the event that Grantor does not provide acceptable substitute security as required by Section D of Article III of this agreement upon effective date of termination of the Deposit, or Grantor has not appointed a suitable successor Trustee as required by Section C of Article III of this Agreement, Beneficiary shall have the right to withdraw the securities in the Deposit and deposit them with a successor Trustee of Beneficiary's choice.

F. The Trustee agrees to abide by the terms of Insurance Code Section 1104.9(e) with regards to transfer orders.

ARTICLE IV
MISCELLANEOUS

A. Nothing in this Agreement shall give, or be construed to give, any person, firm or corporation, other than the parties hereto, any legal or equitable right, remedy or claim under this Agreement or under any covenant or provisions contained herein, all the covenants and provisions being for the sole benefit of the parties hereto.

B. Trustee and Grantor affirm, to the best of their knowledge and belief that said securities are owned by the Grantor and are free and clear of all liens, claims and encumbrances and do not constitute security for any loans.

C. The provisions of and validity and construction of (i) this Agreement and any amendments thereto and (ii) the deposit made pursuant thereto shall be governed by and construed in accordance with the laws of the State of California excluding any choice of any other jurisdiction to be applied.

D. This Agreement shall be executed in quadruplicate and each copy shall be deemed an original; two (2) copies shall be submitted to the Beneficiary. This Trust Agreement may be amended at any time by written agreement signed by Grantor, Trustee and Beneficiary.

E. All notices, requests, consents and other communications, required or permitted with respect to the Agreement, shall be in writing and shall be addressed as follows:

F. The regulations at Article 9.5, Subchapter 3, Chapter 5, Title 10 of the California Code of Regulations continues to govern this Agreement, the parties thereto and transactions consummated thereunder, except to the extent modified by the recent statutory change of Insurance Code Section 11691.

Grantor: _____
Insurer

_____
Address

_____

Trustee: _____
Bank, Savings and Loan Association or Trust Company

_____
Address

_____

Insurance Commissioner: California Department of Insurance
State of California 45 Fremont Street
San Francisco, CA 94105

IN WITNESS WHEREOF, the parties hereto by their respective duly authorized officers have executed this Agreement as of the date first set forth above.

_____	_____,
Attest Date	as Grantor Date
_____	_____,
Attest Date	as Trustee Date
_____	_____,
Attest Date	as Beneficiary Date For Chief Deputy Nettie Hoge