SAMPLE IRRECOVABLE LETTER OF CREDIT FOR A TENNESSEE CAPTIVE INSURANCE COMPANY

Letter of Credit No. (00001) A.B.C. Bank
Date Address City, State

BENEFICIARY
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

Commissioner:

1. We hereby establish this Irrevocable Letter of Credit in your favor on behalf of the __________ (applicant) for __________(name of captive) up to the aggregate amount of __________ available by your draft(s) drawn on us, at sight, bearing the number of this Irrevocable Letter of Credit No. (00001). This Letter of Credit shall expire at our Letter of Credit Department,__________, at our close of business on _________ unless as hereinafter extended.

2. This Letter of Credit is issued pursuant to the provisions of Tennessee Code Annotated §56-13-105, and on behalf of __________(name of captive) which is applying for a certificate of authority to engage in insurance business in the State of Tennessee as a captive insurance company. We understand and agree that _________(name of captive) has no obligation to reimburse us and we have no right of set off against any funds held by us for __________(name of captive) in the event this Letter of Credit is drawn down, in whole or in part. By issuing this Letter of Credit, we waive any common law, statutory or contractual right of reimbursement or set off against __________(name of captive) that may arise in the event this Letter of Credit is drawn down, in whole or in part.

3. It is a condition of the Letter of Credit that it shall be automatically extended for additional periods, each of one year, unless at least ninety calendar days prior to the then relevant expiration date we have advised you in writing that we elect not to extend. Our notification will be sent to you by certified mail or courier service, return receipt requested, at the address set forth above. In that event, you may draw hereunder on or prior to the then relevant expiration date, up to the full amount then available hereunder, against your sight draft(s) on us at the address set forth above, bearing the number of this Letter of Credit. It is a further condition of this Letter of Credit that each automatic extension shall be measured from the then relevant expiration date, even though such date is not a business day in __________ for this Bank. It is also a condition of this Letter of Credit that, for purpose of drawing hereunder, if the then relevant expiration date is a nonbusiness day for our Bank, drawing may be made not later than our next immediately following business day.

4. The forgoing provision is not meant to limit your ability to draw hereunder, up to the full amount then available hereunder, in the event of court-ordered receivership or otherwise of the Applicant, at any time.

5. 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, in no way contingent upon reimbursement with respect thereto, or upon our ability to perfect any lien or security interest. This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified, amended or amplified by reference to any note, instrument, statute, regulation or agreement referred to herein or in which this Letter of Credit is referred to or to which this Letter of Credit relates and any such reference shall not be deemed to incorporate herein by reference any note, instrument, statute, regulation or agreement.

6. Each sight draft so drawn and presented shall be promptly honored by us if presented by you or your designee on or prior to the above stated expiration date or any extension thereof as provided above.
7. This Letter of Credit is subject to and governed by the laws of the State of Tennessee, including Title 47 of the Tennessee Code Annotated, and the International Standby Practices 1998 (ISP98). In the event of any conflict the laws of the State of Tennessee will control.

Very truly yours,

________________________________________  ________________
Name of Bank                                 Date

________________________________________  __________________
Signature of Bank Officer                    Title of Bank Officer

Subscribed and sworn to before me this ____day of______, 20__.

__________________
Notary Public

My Commission Expires:____________________