

Insurance Proposal for

Collin County Government Inland Marine

Effective Date: TBD

Presented by:

Robert S. Bookhammer III, ARM-P, CSR
Wells Fargo Insurance Services USA, Inc.
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Dallas TX 75254
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(800) 531-2034
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www.wellsfargo.com/wfis

Products and services are offered through Wells Fargo Insurance Services USA, Inc. and Wells Fargo Insurance Services of West Virginia, Inc., non-bank insurance agency affiliates of Wells Fargo & Company.

Products and services are underwritten by unaffiliated insurance companies except crop and flood insurance, which may be underwritten by an affiliate, Rural Community Insurance Company. Some services require additional fees and may be offered directly through third-party providers. Banking and insurance decisions are made independently and do not influence each other.

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Together we'll go far



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Service team

Sales Executive

Manages your overall account, and brings all of Wells Fargo's resources together for your benefit.

Account Executive

Responsible for completing all technical transactions regarding the delivery and maintenance of insurance and underwriting services.

Account Representative

Primary contact for day-to-day service. Handles questions you may have, monitors your account, processes endorsement requests and invoices.

Other telephone numbers

Office hours

Robert S. Bookhammer

Direct line: (972) 588-6407

Cell phone: (214)770-1301

Email address: bob.bookhammer@wellsfargo.com

Susan E. Cash

Direct line: (972) 588-6406

Email address: Susan.E.Cash@wellsfargo.com

Kimberly A Englett

Direct line: (972) 588-6453

Email address: kimberly.englett@wellsfargo.com

Main office: (972) 588-6407

(800) 531-2034

Fax: (855) 605-8264

8 a.m. – 5 p.m. CST M - F

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Payment information

Payment address:

Wells Fargo Insurance Services USA, Inc.
5151 Belt Line Rd, Ste. 200
Dallas, TX 75254

Mailing and parcel delivery:

Wells Fargo Insurance Services USA, Inc.
5151 Belt Line Rd, Ste. 200
Dallas, TX 75254

Wiring instructions:

Wells Fargo Bank
1 Montgomery Street
San Francisco, CA 94104
Swift code: WFBIUS6S
Wire Transit Routing #: 121000248
ACH Transit Routing #: 091000019
Account Name: Wells Fargo Insurance Services USA, Inc.
Account #: 1806327431
Reference: 0710 (Indicate Policy # and Invoice #)

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General provisions

Please read this document carefully, and advise if any provisions contained herein are unclear or incorrect, and advise your Wells Fargo Insurance Services USA, Inc. ("Wells Fargo Insurance") team immediately if any coverage is not reflected correctly or if any risks or potential risks have not been identified.

This document states the A. M. Best Company rating for each listed insurance company. Ratings are based on overall performance and financial strength. Performance ratings range from a low of "C-" to the highest rating assigned, "A++." Some insurance companies are subject to "Not-Assigned" categories. Financial size categories range from "I" (up to \$1,000,000 in surplus) to "XV" (\$2,000,000,000 or more in surplus).

Admitted insurance companies afford certain regulatory protection not extended to non-admitted insurance companies. For example, your state's Insurance Guarantee Association does not offer its loss protection to non-admitted insurance companies in the event of insolvency.

When, in Wells Fargo Insurance's judgment, it is necessary or beneficial to do so, we will utilize the services of other intermediaries, sometimes referred to as Wholesalers or Managing General Agents (MGA's), to assist in accessing coverage for insureds or prospects. Such wholesale intermediaries may or may not be affiliated with Wells Fargo Insurance, and would be compensated by the insurance company out of insured-paid premiums.

In some instances, insurance coverage placements made by Wells Fargo Insurance require the payment of state surplus line tax and fees, in addition to the insurance premium itself. Wells Fargo Insurance will attempt to identify any such applicable tax and fees in advance of requesting coverage bound. In all instances, however, payment of any surplus line tax and fees is the sole responsibility of the insured.

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Who we are

Wells Fargo Insurance offers a full range of solutions for companies of all sizes. We can help you address your risk, relieve you of time-consuming administrative functions, and improve your profitability.

Our advantages:

- **Size.** With revenues exceeding \$1.6 billion, Wells Fargo Insurance is the fifth largest insurance brokerage firm in the world according to *Business Insurance*, July 16, 2012. Our size — along with the vast amount of risk premium that we place — enables us to negotiate excellent solutions at competitive rates.
- **Reputation.** As a division of Wells Fargo & Company, one of the most respected financial institutions in the world, we are held to a more rigorous standard than our industry in general. We can offer you access to a full spectrum of financial services unavailable from most other firms.
- **Service.** Supporting more than 170,000 clients throughout the country, Wells Fargo Insurance provides exceptional local service — in person, online, and on the phone.
- **International reach.** We design global insurance programs and manage implementation through our Wells Fargo Global Broker Network, which spans more than 130 countries.
- **Technology.** Our proprietary *CyberSure*® eService helps streamline insurance administration. Use this service to issue your own certificates of insurance, identify potential risk issues, report claims, and more.
- **Solutions.** Because of our strong relationships with top-rated carriers, we don't rely on one-size-fits-all solutions. Instead, we customize our recommendations to meet your specific needs:
 - Risk management
 - Property and casualty
 - Employee benefits
 - Professional risk
 - International
 - Private risk
 - Special risks
 - Industry-specific risks

We know you are facing more complicated risks than ever before. We have the knowledge, experience, and service commitment to help you navigate these challenges and strengthen your competitive position.

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Property and casualty resources*

Enquiron HR and Employment Law Online Services

Credible, convenient, and quick advice — documented advice is available online and toll-free from experienced employment law attorneys. Receive documented, confidential answers to your specific human resources/employment law questions no later than the end of the next business day.

Summit Trainingweb

As a component of our risk control support, our clients have access to over 150 online safety courses. Our value-added tool through Summit Training Source is the premier resource for environmental, health, and safety training solutions.

Crisis Response Public Relations Hotline: 1-877-773-7911/www.psbpr.com

Conventional wisdom says that people are inclined to believe the first story they hear. That makes communicating first, effectively, and across multiple channels critical to successfully navigating a crisis. Wells Fargo Insurance now offers the means to manage your crisis. A 24/7 Public Relations Crisis Response HotLine is available to Wells Fargo Insurance customers through a strategic alliance with Padilla Speer Beardsley.

Workers' compensation experience modification management

To help our clients reduce costs Wells Fargo Insurance can utilize NIAS, Inc. and the AcuComp Process to enable favorable adjustments to our clients experience modification factor.

Risk management

Insurance premiums represent only one component within your Total Cost of Risk. The risks that you retain in the form of deductibles or retentions represent significant opportunities for risk control and expense management.

Wells Fargo Insurance will tailor a service plan to meet your needs. The following is a sample of additional services that we provide.

- Risk control and engineering
 - Risk evaluation and assessment
 - Environmental, health, and safety training advisors
 - Consulting on property protection and engineering
 - Regulatory review and compliance services
 - Fleets and transportation risk
- Financial analytics
 - Loss forecast and accrual analysis
 - Risk retention analysis
 - Program comparison and cash flow modeling
 - Cost of risk allocation
 - Risk bearing capacity analysis
 - Benchmarking
- Claims consulting and solutions
 - Claims program best practices
 - Claims services administrator marketing and selection
 - Claims services provider auditing and quality measurement
 - Claims program analytics and metrics

*Some services require additional fees and may be offered directly through third-party providers.

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CyberSure® quick reference guide

Property and casualty

CyberSure® web-based customer service and support available 24/7/365.

Your business never stops. Why not partner with the broker that never closes?

Plus “answers”:
Online training solutions and disaster recovery planning available at a modest fee.

*CyberSure® is available at **no cost** to you. Take advantage of this time-saving tool. Contact your account team today and request a CyberSure® login!*

Available for property and casualty customers:

E-services

Certificate management

Issue your own certificates in the same amount of time it takes to submit a request to your broker. Store copies online and “go green.”

Claims management

Report claims and monitor history.

Fleet management

Manage changes to your fleet of autos.

Policy requests and changes

Add, change, or delete locations, equipment, and other exposures.

My account team

A customized directory of all those who support your risk management and insurance program.

My documents

Collaborate with your account team via convenient and secure upload and download of documents.

Resources

Loss prevention

Your Safety Committee’s one-stop shop for loss prevention resources.

Country guides

Ensure compliance with international insurance regulations.

Risk management “toolbox”

Articles, checklists, and other resources customized for a wide array of industries.

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Premium overview

Coverage	Expiring premium	2012/2013
Inland marine		
Mobile Equipment	N/A	\$5,117.00
Total premium	N/A	\$5,117.00

Premium payment options

<u>Option</u>	<u>Amount</u>
I. Payment in full	\$5,117.00

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Named Insureds

Note: Any entity not named as an insured may not be covered under this policy. This includes partnerships, joint ventures, and newly formed entities of any type.

Named Insured	Applicable policies
Collin County Government	Inland Marine
Collin County, Texas	Inland Marine

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Inland marine Equipment floater

Named insured:	Collin County Government												
Insurance carrier:	OneBeacon — Admitted A.M. Best rating: A As of 2012												
Policy number:	TBD												
Policy term:	TBD												
Premium:	\$ 5,117.00												
Coverage:	Equipment— Mobile Incident Command Center and Mobile Medical Units												
Policy form:	Commercial Inland Marine Form												
Perils covered:	Risk of direct physical loss, subject to named policy terms, conditions, and exclusions [including mechanical breakdown, excluding earthquake and flood].												
Limits:	<table> <tr> <td>\$</td> <td></td> <td>Scheduled equipment</td> </tr> <tr> <td>\$</td> <td>1,430,451</td> <td>Mobile Incident Command Center</td> </tr> <tr> <td>\$</td> <td>701,724</td> <td>Mobile Medical Unit</td> </tr> <tr> <td>\$</td> <td><u>2,132,175</u></td> <td>Blanket coverage does not apply</td> </tr> </table>	\$		Scheduled equipment	\$	1,430,451	Mobile Incident Command Center	\$	701,724	Mobile Medical Unit	\$	<u>2,132,175</u>	Blanket coverage does not apply
\$		Scheduled equipment											
\$	1,430,451	Mobile Incident Command Center											
\$	701,724	Mobile Medical Unit											
\$	<u>2,132,175</u>	Blanket coverage does not apply											
Total insured value:	\$ 2,132,175												
Deductibles:	\$25,000 Per occurrence												
Valuation:	Replacement Cost												
Terms and conditions:	All risk coverage for direct physical loss or damage to Covered Property consisting of Miscellaneous articles on schedule caused by or resulting from a cause of loss not otherwise excluded.												
Exclusionary endorsements:	Including but not limited to: Mechanical Breakdown; Dishonest Acts; Dampness, Dryness or Extremes of Temperatures; Consequential Loss; False Pretense; Governmental Action; Hidden or Latent Defect; Insects, Vermin or Animals; Negligent Work; Nuclear Hazard; Pollutants; Processing or Work Upon the Property; Rust, Oxidation, Corrosion or Discoloration; War and Military Action; Wear and Tear.												

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Attachments

1. Client authorization to bind coverage
2. Insurance company financial information
3. Transparency and disclosure
4. Important disclosures
5. When to notify Wells Fargo Insurance
6. Claims reporting reference guide

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Client authorization to bind coverage

TO: Wells Fargo Insurance
5151 Belt Line Road, Suite 200
Dallas, TX 75254

RE: Insurance Proposal

This proposal contains proprietary confidential information concerning Wells Fargo Insurance Services USA, Inc. ("Wells Fargo Insurance") and our Clients. It may not be distributed or reproduced without the express prior written consent of Wells Fargo Insurance. No disclosure concerning this proposal shall be made without the express prior written consent of Wells Fargo Insurance.

The intent of this proposal is to provide a highlight of the coverage offered in our insurance program, and is not meant to be all-inclusive. Read your actual policy(ies) for complete details including terms, conditions, limitations, and exclusions.

Exposure information, including but not limited to property values, auto schedules, payroll, and revenues, used in the proposal were those presented by you and should be carefully reviewed and/or appraised for adequacy.

I hereby acknowledge that, upon the renewal of the coverage described herein, unless I otherwise direct Wells Fargo Insurance or Wells Fargo Insurance otherwise notifies me, Wells Fargo Insurance intends to renew my coverage with the insurer that, at the time of such renewal, underwrites my coverage and thus Wells Fargo Insurance will not solicit any quotes or proposals from insurers on my behalf in connection with such renewal.

I have read and understand the terms and conditions of this proposal and the compensation Wells Fargo Insurance may receive in connection with Wells Fargo Insurance's services described in this proposal. All questions and concerns I had regarding any of the terms outlined above have been discussed and addressed with Wells Fargo Insurance.

Please check one:

- After careful review of your proposal dated (date), we have decided to accept your proposal as presented.
 - After careful review of your proposal dated (date), we have decided to accept you proposal with the following changes:
-
-

Policy delivery (please check all that apply):

- Electronically via email
- Electronically posted on CyberSure
- Paper copy in 3-ring binder
- Via CD

Please have binders and your invoice prepared for the agreed-upon coverage.

Customer signature

Name

Date

Company

Title

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Evaluating financial strength and capacity of insurance markets

Wells Fargo Insurance Services USA, Inc. is not a guarantor of the solvency of carriers with which its agents place business. However, Wells Fargo Insurance Services USA, Inc.'s objective is to place client risks with insurers and reinsurers that are financially sound. We only authorize carriers that we believe, at the time of placement, have the financial ability to fulfill their claim payment obligations to our clients.

Wells Fargo Insurance Services USA, Inc. has appointed a group of experienced insurance professionals to serve on a Market Security Committee. This Committee is responsible for establishing and utilizing guidelines for the selection of insurers and supporting employees in their efforts to utilize financially sound insurers. In assessing the financial strength of insurers, the Committee relies upon the opinions and assessments of recognized rating agencies and other carrier review companies.

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Insurance company financial information

Objective assessments help insurance buyers make informed decisions

As your insurance broker, one of our objectives is to provide you with information and assessments published by rating agencies on the financial stability of the insurers currently underwriting your coverage's, or of those insurers we recommend you consider.

Financial strength ratings

A.M. Best rating	S&P rating	Rating agency assessment
A++, A+	AAA	Superior
A, A-	AAA, AA, AA-	Excellent
B++, B+	A+, A, A-	Good
B, B-	BBB+, BBB, BBB-	Fair, vulnerable to adverse conditions
C++, C+	BB+, BB, BB-	Marginal, financial security may be adequate
C, C-	B+, B, B-	Weak, vulnerable
D, E, F	CCC, CC, C	Poor, extremely vulnerable or failed

Financial size ratings

A.M. Best also assigns categories to insurance companies to indicate levels of statutory surplus and related funds.

A.M. Best financial size category	Adjusted policyholder surplus (In millions)	A.M. Best financial size category	Adjusted policyholder surplus (in millions)
I	Less than \$1	IX	\$250 - \$500
II	\$1- \$2	X	\$500 - \$750
III	\$2 - 5	XI	\$750 - \$1,000
IV	\$5 - \$10	XII	\$1,000 - \$1,250
V	\$10 - \$25	XIII	\$1,250 - \$1,500
VI	\$25 - \$50	XIV	\$1,500 - \$2,000
VII	\$50 - \$100	XV	Above \$2,000
VIII	\$100 - \$250		

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Transparency and disclosure

Insurance is a highly regulated, competitive industry that fuels the U.S. economy and protects individuals and commercial entities from losses. There is nothing more important to our industry and to Wells Fargo Insurance than maintaining the trust of our customers and conducting business with the utmost integrity. We believe that our leadership role on disclosure should tie directly to our core values. Among these we state that we:

- Value and reward open, honest, two-way communication
- Do what is right for the customer
- Talk and act with the customer in mind
- Exceed our customers' expectations

Wells Fargo Insurance is proactively providing customers with complete transparency on standard and contingent commission income. We receive compensation from the insurance companies we represent when placing your insurance. Our compensation is usually a percentage of the premium you pay for your insurance policy or bond (a "commission"), which is paid to us by the insurance companies for placing and servicing your insurance or bonds with them. We also may receive fees agreed to in writing from our customers. Intermediaries, such as wholesale brokers, may sometimes be used to access certain insurance companies. Such intermediaries will allocate a portion of the compensation from the insurance companies to us and may, in some cases, be an affiliated company.

We receive payments from insurance companies to defray the cost of services provided for them, including advertising, training, certain employee compensation, and other expenses.

Consistent with longstanding industry practice, we may earn interest on premiums received from you and forwarded to the insurance companies through our bank accounts. We may also earn interest when the insurance company issues you a refund and that refund is processed through our bank accounts. We retain the interest earnings on our bank accounts.

Some of the insurance companies we represent may pay us additional commissions, sometimes referred to as contingent or bonus commissions, which may be based on the total volume of business we sell for them, and/or the growth rate of that business, retention rate, claims loss ratio, or other factors considering our entire book of business with an insurance company for a designated period of time.

The amount of premium you pay for a policy may change over the term of the policy. For example, your endorsement requests will affect the premium. Should the premium for any of your policies change, the amount of compensation paid to us by the insurance company would change accordingly.

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Important disclosures

Insurance products are offered through non-bank insurance agency affiliates of Wells Fargo & Company and are underwritten by unaffiliated insurance companies, with the exception of crop insurance which may be underwritten by an affiliated insurance company.

The coverage and limits presented in this proposal are a simplified outline of the respective insurance policies. The actual policies issued by the insurance company govern the coverage provided, and should be read for coverage terms, limits of liability, definitions, and conditions pertaining to your specific insurance program.

This proposal is based on exposures to loss and other underwriting information provided by the customer and made known to Wells Fargo Insurance Services USA, Inc. You must report all additions or corrections to these exposures so we may arrange the proper coverage.

All property values used in this proposal were provided by the customer and should be carefully reviewed and/or appraised for accuracy. Higher limits and additional coverages may be available upon request.

Wells Fargo Insurance Services USA, Inc. has attempted to place your business insurance with markets that have displayed evidence of being properly managed and of strong financial condition. For more information about Wells Fargo Insurance insurance carrier selection and monitoring, please refer to the section on Evaluating Financial Strength and Capacity of Insurance Markets. In the pages that follow, there may be proposals from companies that are identified as Non-admitted or Surplus Lines insurers. This designation means the insurance company is not licensed to do business in your state of domicile. The facts you should consider before placing coverage with a Non-admitted insurance company are as follows:

- If the insurance company becomes insolvent, the state insolvency fund will **not** cover any claims.
- Non-admitted carriers do not have to file their rates with the state and therefore their rates are not regulated.

Flatiron Capital, a premium finance company, is an affiliate of Wells Fargo Insurance Services USA, Inc. The use of Flatiron Capital is not a requirement for the purchase of insurance.

The extension of credit or the provision of bank products or services through Wells Fargo Bank, N.A., or its affiliates is not conditioned on and does not require the purchase of insurance through Wells Fargo Insurance Services USA, Inc.

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When to notify Wells Fargo Insurance

It is important that you advise Wells Fargo Insurance of any material changes in your operations which may have a bearing on your insurance program. Your insurers have evaluated and accepted the risks on the basis of the information given. Any variation of these details could lead to complication in the event of a loss.

These changes may include, but are not limited to:

- Changes of personnel affecting responsibility for insurance decisions.
- Personnel traveling overseas/on temporary assignment overseas/working on military bases.
- Acquisition or creation of new companies or subsidiaries and/or mergers in which you are involved or any legal change in the corporate structure.
- Purchase, sale, lease, construction, or occupancy of new premises; real estate alteration, vacating the premises, or temporary unoccupancy; extension or demolition of existing premises. This applies for both domestic and foreign locations.
- Increase in values of building, business personal property, or inventory for both scheduled and unnamed locations.
- Removal of business personal property or stock to new or temporary locations.
- Addition of new locations, equipment, or vehicles, whether hired, purchased, leased, or borrowed.
- Changes in processes, occupancy, products, revenue, sales, or business operations.
- Addition, alteration, or temporary disconnection of fire or burglary protection systems.
- Use of owned or non-owned aircraft or watercraft.
- Major changes in value or nature of goods being shipped.
- Employment of personnel in states in which you were previously not doing business.
- Election or appointment of a new C.E.O. or C.O.O., or change in control of either the Board of Directors or the stock ownership of the company.
- Changes in ERISA Plan Assets.
- Any written contracts executed with contractor, subcontractors, suppliers, or others.

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Claims reporting reference guide

The Wells Fargo Insurance Claims Intake Center is available 24/7 to assist with the first reporting of routine claims. The center is staffed with claims specialists that will ensure that your claim is reported to the appropriate carrier in a timely manner. Claims specialists can also assist if you have questions or are experiencing difficulties in filing a claim directly with your carrier. You can contact us by calling us (toll-free) at 1-855-320-0583 or e-mailing us at WFInsuranceClaimsCenter@wellsfargo.com.

Carrier	Policy term	Policy #	Type of coverage	Report to:
Atlantic Specialty Insurance Co.	Annual – Dates TBD	TBD	Property – building and contents, inland marine	Wells Fargo Insurance Claims Intake Center

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- b. The most we will pay for debris removal is the lesser of:
 - (1) 25% of the covered direct physical loss or damage; or
 - (2) The remaining applicable Limit of Insurance for Covered Property shown in the Declarations after payment of the covered direct physical loss or damage.
- c. If the amount in b. above is insufficient to pay the debris removal, we will pay the remaining debris removal. However, this additional amount we pay is subject to the **Debris Removal Limit of Insurance** shown in the Declarations.

Preservation of Property

If it is necessary to move Covered Property from a premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss of or damage to that property:

- a. While it is being moved to or while temporarily stored at another location; and
- b. Only if loss or damage occurs within 90 days after the property is first moved.

This Additional Coverage does not increase the Limit of Insurance.

Preservation of Property – Expense Coverage

If it is necessary to move Covered Property from a premises to preserve it from further loss or damage by a Covered Cause of Loss, we will pay the actual expense to move the property to safety.

We will also pay any necessary rental fees for the temporary storage at premises of others for the period of days shown in the Declarations after the property is first moved.

This is additional insurance. The applicable per-occurrence **Preservation of Property – Expense Coverage Limit of Insurance** is shown in the Declarations.

Inventory Or Appraisals

We will pay for the cost of any inventory or appraisal that we require from you to determine the extent of direct physical loss or damage to "miscellaneous articles", not to exceed the applicable **Limit of Insurance for Inventory or Appraisals** shown in the Declarations.

EXCLUSIONS

Acts or Decisions

We will not pay for loss or damage caused by or resulting from acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body. But, if an excluded cause of loss results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

Breakage of Fragile Articles

We will not pay for loss or damage caused by or resulting from breakage of fragile articles.

But we will pay for such loss or damage caused directly by fire, lightning, explosion, windstorm, vandalism, aircraft, rioters, strikers, theft or attempted theft, or by accident to the vehicle carrying the property if these causes of loss would be covered under this Coverage Form.

Consequential Loss

We will not pay for loss or damage caused by or resulting from delay, loss of use, loss of market or any other consequential loss.

Dampness, Dryness, or Extremes of Temperature

We will not pay for loss or damage caused by or resulting from dampness, dryness, or extremes of temperature. But if loss or damage by a Covered Cause of Loss results, we will pay for the loss or damage caused by that Covered Cause of Loss.

Dishonesty

We will not pay for loss or damage caused by or resulting from dishonest or criminal acts by you, any of your partners, employees, directors, trustees, authorized representatives or anyone (except carriers for hire) to whom you entrust the property for any purpose:

- a. Acting alone or in collusion with others; or
- b. Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees; but theft by employees is not covered.

TEXAS CHANGES

This endorsement modifies insurance provided under the following:

COMMERCIAL INLAND MARINE COVERAGE PART

A. Loss Condition B. Appraisal in the Commercial Inland Marine Conditions is replaced by the following:

B. Appraisal

1. If we and you disagree on the value of the property or the amount of loss, either may make written demand, within 60 days after our receipt of a signed, sworn proof of loss, for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree for 15 days upon such umpire, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their difference to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

2. If there is an appraisal:

- a. You will still retain your right to bring a legal action against us, subject to the provisions of the Legal Action Against Us Commercial Inland Marine Condition; and
- b. We will still retain our right to deny the claim.

B. Paragraph 8. of Loss Condition C. Duties In The Event Of Loss in the Commercial Inland Marine Conditions is replaced by the following:

8. Send us a signed, sworn proof of loss containing the information we request to settle the claim. You must do this within 91 days after our request. We will supply you with the necessary forms.

C. Under Loss Condition E. Loss Payment in the Commercial Inland Marine Conditions, the provisions pertaining to notice of our intentions and the time period for payment of claims are deleted and replaced by the following:

1. Claims Handling

a. Within 15 days after we receive written notice of claim, we will:

(1) Acknowledge receipt of the claim. If we do not acknowledge receipt of the claim in writing, we will keep a record of the date, method and content of the acknowledgment;

(2) Begin any investigation of the claim; and

(3) Request a signed, sworn proof of loss, specify the information you must provide and supply you with the necessary forms. We may request more information at a later date, if during the investigation of the claim such additional information is necessary.

b. We will notify you in writing as to whether:

(1) The claim or part of the claim will be paid;

(2) The claim or part of the claim has been denied, and inform you of the reasons for denial;

(3) More information is necessary; or

(4) We need additional time to reach a decision. If we need additional time, we will inform you of the reasons for such need.

We will provide notification, as described in Paragraphs b.(1) through b.(4), within:

(1) 15 business days after we receive the signed, sworn proof of loss and all information we requested; or

(2) 30 days after we receive the signed, sworn proof of loss and all information we requested, if we have reason to believe the loss resulted from arson.

If we have notified you that we need additional time to reach a decision, we must then either approve or deny the claim within 45 days of such notice.

2. We will pay for covered loss or damage within 5 business days after:

a. We have notified you that payment of the claim or part of the claim will be made and have reached agreement with you on the amount of loss; or

b. An appraisal award has been made.

However, if payment of the claim or part of the claim is conditioned on your compliance with any of the terms of this Coverage Part, we will make payment within 5 business days after the date you have complied with such terms.

The following paragraphs are added:

3. Catastrophe Claims

If a claim results from a weather related catastrophe or a major natural disaster, the claim handling and claim payment deadlines described in Paragraphs **C.1.** and **C.2.** are extended for an additional 15 days.

Catastrophe or Major Natural Disaster means a weather related event which:

- a. Is declared a disaster under the Texas Disaster Act of 1975; or
- b. Is determined to be a catastrophe by the Texas Department of Insurance.

4. The term "business day", as used in the Loss Payment Condition, means a day other than Saturday, Sunday or a holiday recognized by the state of Texas.

D. Paragraph 2. of General Condition **C. Legal Action Against Us** in the Commercial Inland Marine Conditions is replaced by the following:

2. The action is brought within 2 years and 1 day after you first have knowledge of the direct loss or damage.

E. Paragraphs **A.5.a.** and **A.5.b.** of the Coverage Extensions and Section **F. Definitions** in the Equipment Dealers Coverage Form are deleted.

E. Loss Payment

1. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
2. We will not pay you more than your financial interest in the Covered Property.
3. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claim against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
4. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
5. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss if you have complied with all the terms of this Coverage Part and:
 - a. We have reached agreement with you on the amount of the loss; or
 - b. An appraisal award has been made.
6. We will not be liable for any part of a loss that has been paid or made good by others.

F. Other Insurance

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
2. If there is other insurance covering the same loss or damage, other than that described in 1. above, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

G. Pair, Sets Or Parts

1. Pair Or Set

In case of loss or damage to any part of a pair or set we may:

- a. Repair or replace any part to restore the pair or set to its value before the loss or damage; or
- b. Pay the difference between the value of the pair or set before and after the loss or damage.

2. Parts

In case of loss or damage to any part of Covered Property consisting of several parts when complete, we will only pay for the value of the lost or damaged part.

H. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

I. Reinstatement Of Limit After Loss

The Limit of Insurance will not be reduced by the payment of any claim, except for total loss or damage of a scheduled item, in which event we will refund the unearned premium on that item.

J. Transfer Of Rights Of Recovery Against Others To Us

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

1. Prior to a loss to your Covered Property.
2. After a loss to your Covered Property only if, at time of loss, that party is one of the following:
 - a. Someone insured by this insurance; or
 - b. A business firm:
 - (1) Owned or controlled by you; or
 - (2) That owns or controls you.

This will not restrict your insurance.

GENERAL CONDITIONS

A. Concealment, Misrepresentation Or Fraud

This Coverage Part is void in any case of fraud, intentional concealment or misrepresentation of a material fact, by you or any other insured, at any time, concerning:

1. This Coverage Part;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this Coverage Part.

B. Control Of Property

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.

C. Legal Action Against Us

No one may bring a legal action against us under this Coverage Part unless:

1. There has been full compliance with all the terms of this Coverage Part; and
2. The action is brought within 2 years after you first have knowledge of the direct loss or damage.

D. No Benefit To Bailee

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

E. Policy Period, Coverage Territory

1. We cover loss or damage commencing:
 - a. During the policy period shown in the Declarations; and
 - b. Within the coverage territory or with respect to personal property in transit, while it is between points in the coverage territory.
2. The coverage territory is:
 - a. The United States of America (including its territories and possessions);
 - b. Puerto Rico; and
 - c. Canada.

F. Valuation

The value of Covered Property will be the least of the following amounts:

- a. Amount for which you are liable;
- b. Actual cash value of the lost or damaged property;
- c. Cost of reasonably restoring the property to its condition immediately before the loss; or
- d. Cost of replacing the lost or damaged property with substantially identical property.

If a valuation method other than actual cash value applies, as shown in the Declarations or by a valuation condition in the coverage form, that valuation method applies in b. above in place of actual cash value.

The value will include the value of labor, materials or services furnished or arranged by you.

In the event of loss or damage, the value of property will be determined as of the time of loss or damage.

PROPERTY VALUATION METHODS AND LOSS PAYMENT CONDITIONS

A. Loss Payment

1. In the event of loss or damage covered by this policy, at our option we will either:
 - a. Pay the value of lost or damaged property;
 - b. Pay the cost of repairing or replacing the lost or damaged property plus any reduction in the value of that property due to the repairs;
 - c. Take all or any part of the property at an agreed value or, if an agreed value cannot be reached, appraised value; or
 - d. Repair, rebuild or replace the property with other property of like kind and quality.

We will give notice of our intentions within 30 days after we receive the sworn proof of loss.

2. We will not pay you more than your financial interest in the Covered Property.
3. We will not pay more than the least of the following amounts:
 - a. The Limit of Insurance under this policy that applies to the loss;
 - b. The value of the lost or damaged property; or
 - c. For building property, the amount that you actually spend that is necessary to repair or replace the lost or damaged property at:
 - (1) The same location; or
 - (2) Another location;
 for the same use and occupancy.
 - d. For property other than building property, the amount that you actually spend that is necessary to repair or replace the lost or damaged property.

B. Valuation Methods

We will determine the value of your property based on one of the following valuation methods when designated to apply to your property by your policy.

a. Replacement Cost

- (1) Replacement Cost means the cost to repair, rebuild, or replace the lost or damaged property with other property:
 - (a) Of comparable material and quality;
 - (b) Used for the same purpose; and
 - (c) Without a deduction for depreciation.
- (2) We will not pay on a replacement cost basis for any loss or damage until the lost or damaged property is actually repaired or replaced. You may make a claim on an actual cash value basis for loss or damage covered by this insurance on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim on a replacement cost basis if:
 - (a) The lost or damaged property is actually repaired or replaced; and
 - (b) You notify us to do so within 180 days after the date of loss or damage or some other reasonable period on which we agree in writing.
- (3) The following property will be adjusted based on its replacement cost:
 - (a) Any property designated in the coverage form as having replacement cost valuation apply; and
 - (b) Any property specifically identified in the Declarations as having replacement cost valuation apply.

b. Functional Replacement Cost

- (1) Functional replacement cost means the cost to repair or replace property with available property that most closely duplicates the function of the damaged or replaced property at time of loss. The replacement property may perform additional functions if it is the available property that most closely duplicates the function of the damaged or replaced property.
- (2) The following property will be adjusted based on its functional replacement cost:
 - (a) Unless a different valuation basis is specified for such property in the Declarations:
 - (i) "Hardware";
 - (ii) "media"; and
 - (iii) "Scientific and Medical equipment"; and
 - (b) Any property designated in the coverage form as having functional replacement cost valuation apply; and
 - (c) Any property specifically identified in the Declarations as having functional replacement cost valuation apply.

c. Stated Value

- (1) Stated Value means that in a total loss we will pay the amount stated in the Declarations for the lost or damaged property.

- (2) For property to be covered on a stated value basis it must be specifically identified in the Declarations as having Stated Value apply. The Declarations must indicate the Stated Value individually for each item.
- (3) If we determine that there has been a partial loss to property covered on a stated value basis, we will pay no more than the proportion that the value of the damaged part bears to the Stated Value in the Declarations.

d. Actual Cash Value

- (1) Actual cash value means replacement cost, as defined in a. above, minus depreciation.
- (2) We will value the following property on an actual cash value basis:
 - (a) Any property that otherwise would be valued on a replacement cost basis, but for which repairs or replacements are not made as soon as reasonably possible;
 - (b) Any property designated in the coverage form as having actual cash value apply;
 - (c) Any property specifically identified in the Declarations as having actual cash value apply; and
 - (d) Any property for which another valuation method is not specifically identified.

e. Electronic Data Valuation

To the extent "electronic data" is not replaced, the loss will be valued at the cost of replacement of the "media" on which the "electronic data" was stored, with blank "media" of substantially identical type.

C. Personal Property of Others

- a. Our payment for loss of or damage to personal property of others will only be for the account of the owners of the property. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
- b. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- c. Personal property of others is valued on the same basis as your business personal property (subject to any exceptions in this Valuation and Loss Payment section). However, we will not pay more than the amount for which you are legally liable.
- d. Labor, materials and services that you furnish or arrange on personal property of others are valued based on the actual cost of the labor, materials and services.

D. Coinsurance Option

If a Coinsurance percentage is shown in the Declarations, the following condition applies.

- a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage is greater than the Limit of Insurance for the property.
 Instead, we will determine the most we will pay using the following steps:
 - (1) Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;
 - (2) Divide the Limit of Insurance of the property by the figure determined in **Step (1)**;
 - (3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in **Step (2)**; and
 - (4) Subtract the deductible from the figure determined in **Step (3)**.
 We will pay the amount determined in **Step (4)** or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.
- b. If one Limit of Insurance applies to two or more separate items, this condition will apply to the total of all property to which the limit applies.

MORTGAGEHOLDERS CONDITION

This **Mortgageholders Condition** is applicable to mortgageholders on buildings covered by a Commercial Inland Marine Coverage Form.

- 1. The term mortgageholder includes trustee.
- 2. We will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.

3. The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.
4. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgageholder will still have the right to receive loss payment if the mortgageholder:
 - a. Pays any premium due under this policy at our request if you have failed to do so;
 - b. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
 - c. Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgageholder.

All of the terms of this policy will then apply directly to the mortgageholder.

5. If we pay the mortgageholder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:
 - a. The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
 - b. The mortgageholder's right to recover the full amount of the mortgageholder's claim will not be impaired.

At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

6. If we cancel this policy, we will give written notice to the mortgageholder at least:
 - a. 15 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
 - b. 45 days before the effective date of cancellation if we cancel for any other reason.
7. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 15 days before the expiration date of this policy.

LOSS PAYEE CONDITION

When a Loss Payee Schedule is attached to this Policy, the following provisions apply:

For Covered Property in which both you and a Loss Payee shown in the Loss Payee Schedule have an insurable interest, we will:

1. Adjust losses with you; and
2. Pay any claim for loss jointly to you and the Loss Payee, as interests may appear.