

RUSSELL BOND & CO., INC.

DIRECTORS AND OFFICERS LIABILITY INSURANCE AND ERRORS AND OMISSIONS INSURANCE POLICIES PROPOSAL FORM FOR INSURANCE COMPANIES

NOTICE

THIS IS A PROPOSAL FORM FOR CLAIMS MADE POLICY(IES).

THE TERMS APPEARING IN BOLD FACE TYPE IN THE PROPOSAL FORM ARE DEFINED IN THE POLICY(IES) AND SHALL HAVE THE SAME MEANING AS IN THE POLICY(IES).

THE COVERAGE UNDER A CLAIMS MADE POLICY IS LIMITED TO LIABILITY RESULTING FROM **CLAIMS** THAT ARE FIRST MADE AGAINST THE **DIRECTORS AND OFFICERS** OR THE **COMPANY** DURING THE **POLICY PERIOD**. **DEFENSE EXPENSES** INCURRED IN THE DEFENSE OF A **CLAIM** ARE INCLUDED IN THE AGGREGATE LIMIT OF LIABILITY. THE INSURER HAS NO DUTY UNDER THE POLICY(IES) TO DEFEND ANY **CLAIM**.

PLEASE REVIEW THE POLICY(IES) CAREFULLY AND DISCUSS THE COVERAGE(S) HEREUNDER WITH YOUR INSURANCE AGENT OR BROKER AND YOUR ATTORNEY.

PART I (Must be completed by all applicants)

Name of **Company** _____

(Wherever used, **Company** means the entity named above and all **Subsidiaries**)

Street Address _____ City _____ State _____ Zip Code _____

The person designated by the **Company** and all **Directors and Officers** proposed for this insurance to receive any and all notices from the Insurer or its authorized representative(s) concerning this insurance:

| Name | Title | | | | |
|--|----------------|--------------------------|--------------------------|----------------|-------------------|
| 1. a. The Company has been in operation since: _____ | | | | | |
| b. The principle Subsidiary has been in operation since: _____ | | | | | |
| 2. Has the Company been involved in any actual or proposed merger, acquisition, divestment, or sale of its stock in excess of 10% of the total stock outstanding within the last 5 years? | | YES | NO | | |
| If "Yes", please provide details as an attachment. | | <input type="checkbox"/> | <input type="checkbox"/> | | |
| 3. Is the Company presently involved in, or is it presently considering any merger, acquisition, divestment, or sale of its stock in excess of 10% of the total stock outstanding? | | <input type="checkbox"/> | <input type="checkbox"/> | | |
| If "Yes", please provide details as an attachment. | | | | | |
| 4. If the Company is a mutual company, has a conversion to stock ownership been considered in the past or is such a conversion contemplated within the next 12 months? | | <input type="checkbox"/> | <input type="checkbox"/> | | |
| If "Yes", please attach a copy of the prospectus and details. | | | | | |
| 5. Please provide the following information regarding the Company's insurance coverages: If "None", so indicate. | | | | | |
| | <u>Insurer</u> | <u>Limit</u> | <u>Deductible</u> | <u>Premium</u> | <u>Expiration</u> |
| D&O Liability | _____ | _____ | _____ | _____ | _____ |
| E&O | _____ | _____ | _____ | _____ | _____ |
| FI Bond | _____ | _____ | _____ | _____ | _____ |
| General Liability | _____ | _____ | _____ | _____ | _____ |
| Fiduciary Liability | _____ | _____ | _____ | _____ | _____ |
| Employment Practices | _____ | _____ | _____ | _____ | _____ |
| 6. Please provide the following regarding the policy or policies requested: | | YES | NO | | |
| a. Has any claim been made under any D&O or E&O policy or has notice been given to any D&O or E&O insurer? | | <input type="checkbox"/> | <input type="checkbox"/> | | |
| b. Has any carrier refused, cancelled or nonrenewed D&O or E&O Coverage? | | <input type="checkbox"/> | <input type="checkbox"/> | | |
| c. If cancelled or nonrenewed, has the discovery option been exercised? | | <input type="checkbox"/> | <input type="checkbox"/> | | |
| If "Yes" to any section of Question 6., please provide details as an attachment. | | | | | |

Part II (Must be completed by Applicant for Directors and Officers Liability Insurance)

| | | | | | |
|--|--|--------------------------|--------------------------|--|--|
| 7. Common Stock ownership of the Company : | | | | | |
| a. Total number of shareholders _____ | | | | | |
| b. Total number of shares outstanding _____ | | | | | |
| c. Total number of shares owned directly or beneficially by Directors and Officers _____ | | | | | |
| 8. Has the Company registered a public or private offering or had a private placement of securities within the last 12 months or is such an offering or placement being considered for the next 12 months? | | YES | NO | | |
| If "Yes", please attach a copy of the placement or offering and details. | | <input type="checkbox"/> | <input type="checkbox"/> | | |
| 9. Has the Company decreased or suspended dividends on any class of stock in the last 36 months? | | <input type="checkbox"/> | <input type="checkbox"/> | | |
| If "Yes", please provide details as an attachment. | | | | | |
| 10. Have there been any changes in the Board of Directors or senior management of the Company in the last 3 years for reasons other than death or retirement? If "Yes", please provide details including reason(s) for change including resumes of the new officers as attachments. | | <input type="checkbox"/> | <input type="checkbox"/> | | |

11. Has the **Company** changed the accounting firm that prepares its financial statements in the last 3 years?
If "Yes", please provide details including reason(s) for change as an attachment.
12. a. Has the **Company** or any **Director or Officer** been the subject of any administrative, supervisory or compliance sanction, fine, penalty, action or order by any regulatory agency in the last 3 years?
If "Yes", please provide details as an attachment.
- b. List the dates that the last two regulatory examinations were performed.
Exam date: _____ Exam date: _____
- c. Have all recommendations and criticisms of each of the last 2 regulatory examinations been complied with by the **Company**? If "No", please provide details as an attachment.
13. Has any director or officer of any entity(ies) or any entity(ies) proposed for this insurance been a party to any of the following:
- a. Any representative actions, class actions or derivative suits?
- b. Any civil, criminal, or administrative proceeding alleging or investigating a violation of any security law or regulation?
- c. Any antitrust, copyright or patent litigation?
- d. Any civil, criminal, or administrative proceeding alleging or investigating a violation of any antitrust or fair trade law? If "Yes" to any section of Question 13, please provide details as an attachment.

EXTENSIONS OF COVERAGE

14. **Allocation or Securities Entity Coverage.** If a quote is desired, please check options desired:
 Fixed Allocation Coverage Minimum Allocation Coverage Securities Entity Coverage
15. **Employment Practices Liability Optional Coverage.** If a quote is desired, please answer the following:
- a. Has the Board of Directors established formal written policies and procedures that are regularly reviewed addressing the following areas? (check applicable item(s) below) Are such policies and procedures reviewed by outside counsel? If "No", please describe the legal review process as an attachment.
- Employment termination, including a legal review process
- Disciplinary actions
- Hiring practices
- Sexual harassment
- Handling of employment related complaints or grievances
- Discrimination
- ADA compliance (Americans with Disabilities Act)
- Personnel and employment practices audits
- Affirmative Action
- b. Does the **Company** have a personnel or human resources department?
- c. Does the **Company** use any tests for screening employment applicants or for continued employment?
If "Yes", please provide details as an attachment.
- d. Are all individuals involved in employment interviews trained in the legalities of the interview process?
- e. Is the **Company** presently involved in, or is it presently considering any layoff or downsizing within the next 12 months? If "Yes", please provide details as an attachment.

PART III (Must be completed by Applicant for Errors and Omissions Liability Insurance)

16. Please identify services the **Company** offers:
- a. Insurance agency & brokerage operation
- b. Insurance consulting (for a fee)
- c. Escrow agent
- d. Investment advisor/counselor
- e. Captive management
- f. Loss control and safety engineering for non-policyholders
- g. Claims handling for non-policyholders
- h. Rehabilitation services for non-policyholders
- i. Data processing services
- j. Insurance pool management
- k. Premium financing
- l. Financial planning
- m. Pension consulting
- n. Third party benefit administration
- o. Property management
- p. Security broker/dealer
- q. Title agent
- r. Other (specify) _____
17. Does the **Company** contract outside safety engineering, loss control or safety inspection services? **YES NO**

- If "Yes", please provide copies of the standard contract and hold harmless agreement.
18. Agency force:
- a. Number of independent agents _____
 - b. Number of captive agents _____
 - c. Number of owned agencies or brokerages _____
 - d. Number of director agents _____
19. How does your facultative or treaty reinsurance contracts address coverage of punitive and exemplary damages and extra contractual obligations concerning the **Company**:
- a. Silent
 - b. Specifically included (If "included", please attach a copy)
 - c. Specifically excluded
20. Does the **Company** maintain and distribute a claim handling procedures manual applicable to all claims personnel?
21. a. Are procedures established for handling claims or suits for bad faith, punitive damages, or extra contractual obligations?
- b. Are such procedures part of the claims manual?
22. If the **Company** has branch offices with claim handling authority, do these branches immediately report bad faith allegations/claims to a claim manager in the home office? If "No", please provide details, as an attachment, as to how these allegations/claims are submitted to the E&O carrier.

EXTENSIONS OF COVERAGE

- 23. Credit and Investigatory Services Optional Coverage. If a quote is desired, please check here:
- 24. Notarial Services Optional Coverage. If a quote is desired, please check here:
- 25. Underwriting Optional Coverage. If a quote is desired, please check here: . As an attachment, please indicate the frequency of underwriting audits and summarize the audit procedures.

ATTACHMENTS MADE PART OF THIS PROPOSAL FORM

Please attach the following documents, as they may apply to the **Company**:

- a. Notice to Stockholders and Proxy Statement for the last scheduled meeting.
- b. Most recent annual report (or audited financial statements with all notes and schedules if no annual report is prepared).
- c. Most recent CPA management letter and response to recommendations made therein.
- d. Most recent SEC Form 10--K and Form 10--Q If "None", so indicate: None
- e. Any SEC Form 8--K or Schedule 13D filed within the last 12 months. If "None", so indicate: None
- f. List of names and major affiliations of all **Directors** of the **Company**.
- g. List of names and percent owned by any shareholder(s) holding directly or beneficially 10% or more of the common stock and their affiliation to the **Company**. If "None", so indicate: None
- h. List of all **Subsidiaries** proposed for this insurance including the following information on each: name, nature of business, date of incorporation, name of parent, percent of ownership, domestic or foreign, date of acquisition. If "None", so indicate: None
- i. List of all material litigation threatened or pending against the **Company** or any person in his or her capacity as a director, officer, employee or spouse of a director or officer of the **Company**. If "None", so indicate: None
- j. Latest available quarterly and annual convention statements for each company or consolidated, if available.
- k. Latest Actuarial Report (only if E&O coverage is desired)
- l. Attach a copy of the current procedures for internal handling of errors and omissions and punitive damages claims.

PAST ACTIVITIES-CLAIMS AGAINST THE COMPANY

26. No claims have been made against any entity(ies) or any person(s) proposed for this insurance (including optional coverages for which a quote is desired) in their capacity as a director, officer, employee or spouse of a director or officer of the **Company**, such as would fall within the scope of the proposed insurance, except as follows: If "None", so indicate: None
27. No director, officer or employee of any entity(ies) or any entity(ies) proposed for this insurance (including optional coverages for which a quote is desired) has knowledge of any fact, circumstance or situation which they have reason to suppose might afford valid grounds for any claim such as would fall within the scope of the proposed insurance, except as follows: If "None", so indicate: None

WITHOUT PREJUDICE TO ANY OTHER RIGHTS AND REMEDIES OF THE INSURER, ANY CLAIM ARISING FROM ANY CLAIMS, FACTS, CIRCUMSTANCES OR SITUATIONS REQUIRED TO BE DISCLOSED IN RESPONSE TO QUESTIONS 26 AND 27, IS EXCLUDED FROM THE PROPOSED INSURANCE.

The undersigned President or Chairman of the Board of Directors declares that to the best of his/her knowledge the statements set forth herein and any documents and information submitted in connection herewith are true, accurate and complete and that every effort has been made to obtain sufficient information from each and every entity and **Director and Officer** proposed for this insurance to facilitate the proper completion of this Proposal Form. The Insurer is hereby authorized to make any investigation and inquiry in connection with this Proposal Form. The undersigned further agrees that if the information supplied on or in connection with this Proposal Form changes between the date of this Proposal Form and the effective date of the insurance, the undersigned will immediately notify the Insurer and the Insurer may withdraw or modify any

outstanding quotations or authorization or agreement to bind insurance. The signing of this Proposal Form does not bind the undersigned to purchase the insurance. However, it is agreed that this Proposal Form and any documents or information submitted herewith shall be the basis of the contract should a policy(ies) be issued and are to be considered as incorporated in and constituting part of the policy(ies). Acceptance of this Proposal Form does not bind the Insurer to complete the insurance.

IT IS ALSO AGREED THAT DISCLOSURE OF ANY INFORMATION ON THIS PROPOSAL FORM DOES NOT CONSTITUTE NOTICE AS REQUIRED IN 10. NOTICE OF FACTS, CIRCUMSTANCES OR CLAIMS OF THE D&O POLICY OR 7. NOTICE OF FACTS CIRCUMSTANCES OR CLAIMS OF THE E&O POLICY, SHOULD A POLICY BE ISSUED.

FRAUD NOTICES: Prior to signing this Renewal Proposal Form, please review the state statutory fraud notices as they may apply to the Company's domicile:

ARKANSAS: Any person who knowingly presents a false or fraudulent claim for payment of a loss benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

COLORADO: It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policy holder or claimant for the purpose of defrauding or attempting to defraud the policy holder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies.

FLORIDA: Any person who knowingly and with intent to injure, defraud or deceive any insurer files a statement of claim or an application containing any false, incomplete or misleading statement is guilty of a felony of the third degree.

KENTUCKY: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

LOUISIANA: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

MAINE: It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties may include imprisonment, fines or a denial of insurance benefits.

NEW JERSEY: Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

NEW MEXICO: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to civil fines and criminal penalties.

NEW YORK: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

OHIO: Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

OKLAHOMA: Any person who knowingly and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of an insurance policy, containing false, incomplete or misleading information is guilty of a felony.

PENNSYLVANIA: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

VIRGINIA: It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits.

By: _____

Title: _____

Date: _____

A POLICY CANNOT BE ISSUED UNLESS THE PROPOSAL FORM IS PROPERLY SIGNED AND DATED.