

**UNDERWRITTEN IN FEDERAL INSURANCE COMPANY OR  
VIGILANT INSURANCE COMPANY**

**Please answer all of the following inquiries. If the COMPANY agrees to issue a bond, all of the information which the Applicant provides will become part of any bond issued to the Applicant by Federal Insurance Company or Vigilant Insurance Company. Any intentional misrepresentation, omission, concealment or incorrect statement of a material fact in this APPLICATION will be grounds for rescission.**

**Please note: The term "Applicant" as used in this APPLICATION refers to all entities for which coverage is desired. It is agreed that coverage is desired for the First Named Assured and those entities listed on the Schedule of Additional Named Assured.**

**A. GENERAL INFORMATION**

1. a. Name of First Named Assured:

\_\_\_\_\_

b. Address of First Named Assured:

\_\_\_\_\_  
(Street Address) (City) (State) (Zip Code)

2. Please complete the Schedule of Additional Named Assured under Section J.

3. Name of Agent: \_\_\_\_\_

4. Does the Applicant anticipate in the next twelve (12) months:

a. Establishing or entering into any related or unrelated ventures?  YES  NO

b. Providing any new services?  YES  NO

If **yes** to either or both, please provide, on a separate sheet, full details.

5. With respect to the Applicant:

a. Does any person or related persons have an interest of ten percent (10%) or more of the Applicant's voting stock?  YES  NO

If **yes**, please attach a schedule listing the names and ownership percentages of those individuals.

b. Does any person or related persons on the Applicant's Board of Directors hold the proxy or other power of ten percent (10%) or more of the voting rights?  YES  NO

If **yes**, please attach a list of the names of those individuals and their percentages.

c. Has any transfer or acquisition of ten percent (10%) or more of the Applicant's voting stock by any person or related persons taken place within the previous three (3) years?  YES  NO

If **yes**, please attach a schedule indicating the transfer(s), date(s) and individual(s) involved.

6. Have there been any changes in the Applicant's senior management or on its Board of Directors within the previous three (3) years?  YES  NO

If yes, please provide, on a separate sheet, full details as to the changes and the reasons for those changes.

7. Has the Applicant entered into, been operating under, or been advised of a regulatory agency's intent to issue any consent agreements, special situation agreements, memoranda of understanding, cease and desist orders, or similar restrictions during the previous three (3) years?  YES  NO

8. Has any regulatory agency or outside certified public accounting firm (CPA) noted a lack of timeliness or absenteeism of Directors at Directors meetings in the previous three (3) years?  YES  NO

If yes, please provide, on a separate sheet, full details of such notations.

## B. STATISTICS

With respect to the Applicant, please provide the total number of:

- |  |  |
|--|--|
| <p>1. Employees: _____</p> <p>2. Branch Offices:<br/>         (a) Domestic _____<br/>         (b) Foreign _____</p> <p>3. Limited Banking Facilities:<br/>         (a) Domestic _____<br/>         (b) Foreign _____</p> | <p>4. Automated Teller Machines:<br/>         (a) In Branches: _____<br/>         (b) Unattended: _____</p> <p>5. Deposits (as of _____) \$ _____</p> <p>6. Loans (as of _____) \$ _____</p> |
|--|--|

## C. ORGANIZATIONAL PROCEDURES

1. Does the Applicant currently maintain the following:
- a. Operations manual for all operating divisions?  YES  NO
  - b. Written investment policy?  YES  NO
  - c. Written security policy?  YES  NO
  - d. Written loan policy?  YES  NO
  - e. Written code of ethics?  YES  NO
  - f. Asset/Liability management policy?  YES  NO
  - g. Annual reporting and review of outside business interests of all Directors and Officers?  YES  NO
  - h. A standard procedure for investigating and verifying employees prior to their employment?  YES  NO
2. Are the accounts of Directors and Employees reviewed regularly for unusual activity?  YES  NO
- If yes, by whom? \_\_\_\_\_
3. Does the Applicant require annual vacations of at least 2 consecutive weeks for all employees?  YES  NO

## D. AUDITING PRACTICES

### 1. With respect to Internal Audits:

- a. Does the Applicant employ an internal auditor?  YES  NO  
If **yes**, is the auditor's position full-time?  YES  NO
- b. Does the auditor report directly to the Audit Committee of the Board of Directors?  YES  NO
- c. Is the auditor an Officer?  YES  NO
- d. Does the audit department conduct an annual surprise audit at all locations?  YES  NO
- e. Please indicate the number of full-time employees assigned to the audit department. \_\_\_\_\_
- f. Has the Applicant met the scope and objectives of the formalized internal audit plan during the past two (2) years?  YES  NO  
If **no**, please provide, on a separate sheet, full details.

### 2. With respect to External Audits:

- a. Has the Applicant made provisions for an annual audit program to be conducted by an outside certified public accounting firm (CPA)?  YES  NO
- b. Has the CPA rendered an unqualified opinion for each of the last three (3) years?  YES  NO
- c. Has there been any change in the CPA used by the Applicant in the last three (3) years?  YES  NO  
If **yes**, please provide, on a separate sheet, full details.
- d. Has the Applicant complied with all recommendations made as a result of its most recent audit?  YES  NO  
If **no**, please attach a schedule explaining any noncompliance with such recommendations.
- e. Does the Applicant plan any change in the audit program?  YES  NO
- f. Does the CPA report directly to the Audit Committee of the Board of Directors?  YES  NO

3. Are all of the entities listed in Section J subject to the same outside audits and applicable internal controls, procedures and appropriate physical security standards?  YES  NO  
If **no**, please provide, on a separate sheet, full details.
- 

## E. CASH MAINTENANCE

### 1. Dormant Accounts

- a. When is a checking account considered dormant/inactive? \_\_\_\_\_
- b. When is a savings account considered dormant/inactive? \_\_\_\_\_
- c. How are dormant/inactive checking and savings accounts segregated and controlled?  
If necessary, please provide, on a separate sheet, full details.

**2. Reporting Requirements**

- a. Does the Applicant have a system or procedure for reviewing accounts to determine if the account activity would require preparation of the Form 4789?  YES  NO

If yes, please attach the written procedure regarding this.

- b. Please explain the Applicant's current system for the approval of exemptions:
- \_\_\_\_\_

**3. Please state the overnight cash exposure at the Applicant's three (3) largest cash exposure locations:**

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

**F. LENDING ACTIVITIES**

1. Please complete the following as respects forms of credit extended by the Applicant. Base responses on the total dollar volume and percentage of the Applicant's net loan volume derived from each category. (If exact figures are not readily available, provide a best estimate):

	<u>VOLUME</u>	<u>PERCENTAGE OF NET LOANS</u>
a. Accounts Receivable Loans	\$ _____	_____ %
b. Dealer Floor Plans	\$ _____	_____ %
c. Commodity Loans	\$ _____	_____ %
d. Agriculture Loans	\$ _____	_____ %
e. Energy Related Loans	\$ _____	_____ %
f. International Loans	\$ _____	_____ %
g. Indirect Loans	\$ _____	_____ %
h. Warehouse Financing	\$ _____	_____ %
i. Construction Loans	\$ _____	_____ %
j. Land Development	\$ _____	_____ %
k. Leasing	\$ _____	_____ %
l. Factoring	\$ _____	_____ %
m. Insurance Premium Financing	\$ _____	_____ %
n. Purchase or Carrying of Securities	\$ _____	_____ %
o. Credit Card Loans	\$ _____	_____ %
p. Residential Real Estate Loans:		
Fixed-Rate	\$ _____	_____ %
Variable-Rate	\$ _____	_____ %
q. All Other	\$ _____	_____ %
<b>TOTAL</b>	_____	100%

2. With respect to the total percentage of net loans listed above, please indicate how many are:

a. Brokered loans: \_\_\_\_\_ %      b. Purchased participations: \_\_\_\_\_ %

3. Are all new and renewal loan applications and accompanying documents required to be signed in the presence of the Applicant's bank officer?  YES  NO

If no, please explain on a separate sheet what signature verification methods are used.

4. Are data and collateral involved with the granting of loans, including any participants purchases, always verified as genuine on new and renewal loans before funds are disbursed?  YES  NO

If no, please explain on a separate sheet what exceptions are made.

5. Is collateral kept under dual control?  YES  NO

If no, please explain, on a separate sheet, full details.

6. Are any loan proceeds disbursed by cash?  YES  NO

7. Are loans made outside of normal trade territory?  YES  NO

If yes, please indicate the:

a. Total number of loans: \_\_\_\_\_

b. Total dollar amount: \$ \_\_\_\_\_

c. Circumstances: \_\_\_\_\_

8. Please indicate the number and total dollar amount of loans classified by regulators for the previous two (2) years:

Last Examination: Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_ Authority: \_\_\_\_\_

Substandard: No. \_\_\_\_\_ Amount: \$ \_\_\_\_\_

Doubtful: No. \_\_\_\_\_ Amount: \$ \_\_\_\_\_

Loss: No. \_\_\_\_\_ Amount: \$ \_\_\_\_\_

Prior Examination: Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_ Authority: \_\_\_\_\_

Substandard: No. \_\_\_\_\_ Amount: \$ \_\_\_\_\_

Doubtful: No. \_\_\_\_\_ Amount: \$ \_\_\_\_\_

Loss: No. \_\_\_\_\_ Amount: \$ \_\_\_\_\_

9. Indicate the net Loan Charge-Offs at last and prior calendar year-end.

\$ \_\_\_\_\_ DATE: \_\_\_\_ / \_\_\_\_ / \_\_\_\_ \$ \_\_\_\_\_ DATE: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

10. Indicate under the following categories the current dollar amount of loans which are ninety (90) days or more past due:

a. Installment \$ \_\_\_\_\_ d. International \$ \_\_\_\_\_

b. Commercial \$ \_\_\_\_\_ (please list by country) \$ \_\_\_\_\_

c. Real Estate \$ \_\_\_\_\_ \$ \_\_\_\_\_

11. Please indicate the Applicant's authorized maximum legal lending limit:

Secured \$ \_\_\_\_\_ Unsecured \$ \_\_\_\_\_

## G. VOICE INITIATED TRANSFERS

1. Is the wire transfer process centralized?

YES  NO

If no, please identify the locations of your wire transfer centers:

---

---

2. Who is the source of voice initiated wire transfers (customer, employee, or other) with your wire transfer area?

---

---

3. Are all customers, authorized to initiate wire transfers with your wire transfer operation:

- a. Authorized by written agreement?
- b. Utilize "PINS"?
- c. Recorded?
- d. Called back?

YES  NO  
 YES  NO  
 YES  NO  
 YES  NO

If no to any of the above, please explain.

---

---

---

---

4. Can a customer voice initiate a wire transfer with someone other than your wire transfer department?

YES  NO

5. Average volume of wire transfers daily? In \$\_\_\_\_\_ Out \$\_\_\_\_\_

6. a. Does your PC require a method of review/release prior to transmitting the wire?

YES  NO

b. Is this review/release feature ever overridden?

YES  NO

7. Has your written agreement with the customer been reviewed to ascertain its compliance with UCC 4-A?

YES  NO

If so, when? \_\_\_\_\_

If not, please explain:

---

---

## H. LOSS EXPERIENCE

1. a. Has the Applicant at any time during the past three (3) years put its insurance carrier on notice of any potential or actual losses under its bond program?  YES  NO
- If yes**, please provide, on separate sheet, full details.
- b. If the Applicant has not had a bond at any time during this period, have there been any losses that would have been submitted under a bond program if the Applicant had such bond?  YES  NO  
 N/A
2. Please summarize:
- a. Any litigation/legal action settled within the past three (3) years or now pending that is not listed in question 1. immediately above; and/or
- b. Any action which the Applicant has reason to anticipate may be filed against it or any Director, Officer or Employee,
- which would be a subject of coverage under a bond program.
- If necessary, please provide, on a separate sheet, full details. **If not**, please check  NONE
- 

## I. OTHER INFORMATION

1. a. Please list all fund transfer systems for which coverage is desired.
- \_\_\_\_\_
- \_\_\_\_\_
- b. Is coverage on the Applicant's Proprietary System desired?  YES  NO
- If yes**, please provide the following information:
- (1) Number of independent software contractors or service bureaus authorized to design, develop, prepare, supply, service, write or implement programs for the Applicant: \_\_\_\_\_
- (2) Is customer access to the Proprietary System, other than by Automated Teller machine, permitted?  YES  NO
- (3) Number of Automated Teller Machines accessed to the Applicant's Proprietary System: \_\_\_\_\_
2. Is Mortgage Servicing Contractors' Coverage desired?  YES  NO
- If yes**, please list below the Name(s) and Function(s) of each mortgage servicing contractor:
- | Name  | Function |
|-------|----------|
| _____ | _____    |
| _____ | _____    |
| _____ | _____    |

**3.** Please attach the following Applicant information with this completed APPLICATION:

**a.** Most recent Fiscal Year Audited Financial Statement.

**(1)** CPA Letter of Recommendation to Management.

**(2)** Management's written response to CPA Letter of Recommendation.

**b.** Most recent Annual Report.

**c.** Most recent Uniform Bank Performance Report.

**d.** Most recent "Call Report".



**K. REQUESTED COVERAGES**

	<b>INSURING CLAUSES</b>	<b>LIMITS</b>	<b>DEDUCTIBLE AMOUNT</b>
1.A.	Dishonesty - Employee	\$ _____	\$ _____
1.B.	Dishonesty - Trade or Loan	\$ _____	\$ _____
1.C.	Dishonesty - Audit Expense	\$ _____	\$ _____
2.	On Premises	\$ _____	\$ _____
3.	In Transit	\$ _____	\$ _____
4.	Forgery or Alteration	\$ _____	\$ _____
5.	Extended Forgery	\$ _____	\$ _____
6.	Automated Device	\$ _____	\$ _____
7.	Counterfeit Money	\$ _____	\$ _____
8.	Computer System	\$ _____	\$ _____
9.	Defective Signature	\$ _____	\$ _____
10.	Voice Initiated Funds Transfer Instruction	\$ _____	\$ _____
11.	Telefacsimile Instruction	\$ _____	\$ _____
12.	Cash Letter	\$ _____	\$ _____

The undersigned persons declare that to the best of their knowledge the statements set forth above and in any attachments to this APPLICATION are true and correct, and that every reasonable effort has been made to obtain sufficient information to facilitate the proper and accurate completion of this APPLICATION. The undersigned agree that if any significant change in the condition of the Applicant is discovered between the date of this APPLICATION and the effective date of the Bond which would render this APPLICATION inaccurate or incomplete, notice of such change will be reported in writing to the COMPANY immediately and, if necessary, any outstanding quotation may be modified or withdrawn. The undersigned persons understand and further agree that the completion and signing of this APPLICATION neither binds the COMPANY to sell nor the Applicant to purchase the insurance.

Please Note: ONLY DULY APPOINTED AGENTS OF THE COMPANY AND LICENSED BROKERS ARE AUTHORIZED TO SOLICIT APPLICATIONS FOR COVERAGE. AGENTS AND BROKERS ARE NOT AUTHORIZED TO BIND COVERAGE. NO COVERAGE SHALL BE PROVIDED UNLESS THE COMPANY ACCEPTS THE APPLICATION AND BINDS THE COVERAGE.

**False Information:**

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

**False Information (Florida Only):**

**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 information, is guilty of a felony of the third degree.**

**False Information (Louisiana Only):**

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

**False Information (Maine Only):**

**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 denial of insurance benefits.**

**False Information (New York Only):**

**Any person who, knowingly and with intent to defraud any insurance company or other person, files an Application for insurance containing any false information, or conceals information concerning any material fact thereto, for the purpose of misleading, 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.**

**False Information (Oregon Only):**

**Any person who, knowingly and with intent to defraud any insurance company or other person, files an Application for insurance containing any false information, or conceals for the purpose of misleading, information concerning any material fact thereto, may be guilty of fraud.**

**False Information (Pennsylvania Only):**

**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 any 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.**

**False Information (Virginia Only):**

**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.**

First Named Assured: \_\_\_\_\_

By \_\_\_\_\_  
Signature of Chief Executive Officer  
(or other Senior Officer if the Chief Executive Officer  
is also the Chairman, Board of Directors)

By \_\_\_\_\_  
Signature of Chairman, board of Directors

Date \_\_\_\_\_

Date \_\_\_\_\_

A bond cannot be issued unless the APPLICATION is properly signed and dated by the Chief Executive Officer (or other senior officer if the Chief Executive Officer is also the Chairman, Board of Directors) and the Chairman, Board of Directors.

NOTE: The APPLICATION and all attachments shall be treated in strictest confidence.