

Accountants Professional Liability Insurance

CLAIMS MADE WARNING FOR APPLICATION

**THIS PROPOSAL FORM IS FOR A CLAIMS MADE AND REPORTED POLICY, RELATING TO CLAIMS MADE AGAINST THE INSURED DURING THE POLICY PERIOD OR ANY EXTENDED REPORTING PERIOD THAT MAY APPLY.**

Whenever printed in this Supplement Form, the terms in boldface type shall have the same meanings as indicated in the Policy. This Supplement Form is to be completed with respect to the entire Applicant Firm.

Name of Applicant Firm \_\_\_\_\_

**APPLICANT FIRM'S INSTRUCTIONS**

**IF SPACE IS INSUFFICIENT TO ANSWER ANY QUESTIONS FULLY, PROVIDE SEPARATE ATTACHMENTS.**

**Securities Services Information**

Securities Services are those services that fall under the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, the Investment Advisers Act of 1940, the Investment Company Act of 1934, the Public Utility Holding Company Act of 1935, or any state Blue Sky or securities laws.

DO NOT complete for Broker / Dealer Audit Services unless the Broker / Dealer is publicly traded.

1. Describe in detail the type of securities services performed (including SEC Section 404 services).

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

2. Within the last 5 years, has the Applicant Firm provided audit / review services to publicly traded clients?  Yes  No  
 If "Yes", complete the Public Client Audit Services Supplemental Form (APL 28740).

3. List each professional of the Applicant Firm with Securities Services experience and describe their industry experience and relevant Continuing Professional Education (CPE) courses completed in the last 3 years.

| <u>Name(s)</u> | <u>Years of Securities Experience</u> | <u>Name and # Hours of Relevant CPE Last 3 years</u> | <u>Securities Billable Hours Last 12 months</u> | <u>% Total Hours Last 12 months</u> |
|----------------|---------------------------------------|--|---|-------------------------------------|
| _____          | _____                                 | _____  | _____   | _____                               |
| _____          | _____                                 | _____  | _____   | _____                               |
| _____          | _____                                 | _____  | _____   | _____                               |
| _____          | _____                                 | _____  | _____   | _____                               |

4. How many annual hours of Continuing Professional Education (CPE) courses on current securities developments are required of the Applicant Firm's securities accountants? \_\_\_\_\_

5. Is the Applicant Firm registered with the Public Company Accounting Oversight Board ("PCAOB")?  Yes  No

6. Has the Applicant Firm ever undergone an investigation by the Public Company Accounting Oversight Board?  Yes  No  
 If "Yes", provide details. \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_

7. Is the Applicant Firm a member of the AICPA SEC Practice Section or Center for Public Company Audit Firms?  Yes  No

# Carolina Casualty Insurance Company

## General Practices and Procedures

8. Does the Applicant Firm have a written procedure for evaluating a new client seeking securities advice relevant to a proposed transaction or offering, to determine the client's financial strength, its management expertise, its reputation, the nature of its business and its history of opinion shopping or changing attorneys and accountants?  Yes  No  
 (a) Do these procedures include background checks on senior management?  Yes  No  
 (b) Has the Applicant ever declined a potential client based on these procedures?  Yes  No
9. Does the Applicant Firm have a written procedure requiring that at least one professional within the Applicant Firm who is not working on the transaction in question, review and approve all written materials to be furnished in the transaction?  Yes  No
10. Does the Applicant Firm have a written policy:  
 (a) prohibiting professionals and non-professional employees of the Applicant Firm, who have invested in a client, from working on a securities transaction for such client?  Yes  No  
 (b) that is intended to prevent the improper use of material inside information or the tipping of such information by owners, partners, principals, members, managers, officers or employees of the Applicant Firm?  Yes  No  
 (c) that prohibits owners, partners, principals, members, managers, officers or employees of the Applicant Firm from participating in the securities selling process (e.g., not participating in marketing meetings or calls involving prospective investors)?  Yes  No  
 (d) prohibiting any contingency payment arrangement or any arrangements where a securities client pays for the Applicant Firm's services with client securities?  Yes  No
11. Does the Applicant Firm require an experienced securities accountant to interview the client's directors, executive officers and principals in connection with disclosure documents preparation and review?  Yes  No  
 If "No", provide details. \_\_\_\_\_

12. Does the Applicant Firm have a written policy:  
 (a) requiring Executive or Management Committee review prior to any Applicant Firm owner, partner, principal, member, manager, officer or employee serving as a director, officer or general partner of a securities client?  Yes  No  
 (b) governing trading and investing in client securities by owners, partners, principals, members, managers, officers or employees of the Applicant Firm?  Yes  No  
 If "Yes", does this policy establish rules that distinguish between trading and investing by professionals and non-professional employees of the Applicant Firm working in the securities area and trading and investing by professionals and non-professional employees of the Applicant Firm not working in the securities area?  Yes  No
13. Does the Applicant Firm require a securities accountant to disclose all securities investments in clients of the firm?  Yes  No
14. During the last 5 years has the Applicant Firm or any owner, partner, principal, member, manager, officer or employee of the Applicant Firm been the subject of any investigations or administrative action by the Securities and Exchange Commission ("SEC") or similar State Securities Commission, or been terminated by a securities client, or had a dispute with a client necessitating disclosure to securities regulators?  Yes  No  
 If "Yes", provide the following information:

| <u>Client Name(s)</u> | <u>Date of Withdrawal</u> | <u>Description of Withdrawal or Dispute</u> |
|-----------------------|---------------------------|---|
| _____                 | _____                     | _____                                       |
| _____                 | _____                     | _____                                       |
| _____                 | _____                     | _____                                       |
| _____                 | _____                     | _____                                       |

15. During the last 5 years has the Applicant Firm or any owner, partner, principal, member, manager, officer or employee of the Applicant Firm been the subject of any legal action under the Securities Act of 1933, the Securities Exchange Act of 1934, or any state Blue Sky or securities laws?  Yes  No  
 If "Yes", provide details. \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

# Carolina Casualty Insurance Company

## Bond Services

16. Within the last 5 years, has the Applicant Firm provided accounting services in connection with the offer and sale of securities in any transaction involving a security that was intended to be exempt under one of more of the following provisions of Section 3(a) of the 1933 Act:

- (a) Section 3(a)(2) as it relates to any security issued or guaranteed by a bank?  Yes  No
- (b) Section 3(a)(2) as it relates to any security issued by the U.S. or any State or political subdivision or public instrumentality of the U.S. or any State?  Yes  No
- (c) Section 3(a)(6) as it relates to any security issued by a Savings and Loan Institution?  Yes  No

If "Yes", applies to Question 16. (a) or 16. (c), provide the following:

| <u>Name of Institution</u> | <u>Location</u> | <u>Nature of Accounting Services Provided</u> | <u>Date of Service (from / to)</u> |
|----------------------------|-----------------|---|------------------------------------|
| _____                      | _____           | _____   | _____                              |
| _____                      | _____           | _____   | _____                              |
| _____                      | _____           | _____   | _____                              |
| _____                      | _____           | _____   | _____                              |

- 17. Has the Applicant Firm provided accounting services in connection with the offer and sale of private placement bonds?  Yes  No
- 18. Is due diligence documentation retained for services in connection with a private placement bonds with an aggregate price of \$100,000 or more?  Yes  No
- 19. Within the last 5 years, what is the number of bond issues for which the Applicant Firm has provided accounting services? \_\_\_\_\_

20. Indicate the number of bonds issued (by type):

General Obligation Bonds: \_\_\_\_\_

Revenue Bonds: \_\_\_\_\_

Other Bonds, Describe: \_\_\_\_\_

21. Indicate the entity for which the Applicant Firm was employed in the above bond issues:

Bond Counsel: \_\_\_\_\_

Issuer: \_\_\_\_\_

Underwriter: \_\_\_\_\_

Other Bonds, Describe: \_\_\_\_\_

22. How many of the above indicated bond issues:

(a) Are currently in default? \_\_\_\_\_

(b) Have experienced a default proceeding? \_\_\_\_\_

# Carolina Casualty Insurance Company

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**NOTICE TO COLORADO APPLICANTS:** 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.

**NOTICE TO NEW YORK APPLICANTS:** 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 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.

**NOTICE TO NEW MEXICO, PENNSYLVANIA APPLICANTS:** 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.

**NOTICE TO APPLICANTS OF KENTUCKY:** ANY PERSON WHO KNOWINGLY, AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE 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.

**NOTICE TO APPLICANTS OF MINNESOTA, NEW JERSEY, OHIO, AND OKLAHOMA:** ANY PERSON WHO KNOWINGLY, AND WITH INTENT TO INJURE, DEFRAUDS OR DECEIVES ANY INSURER OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM FOR THE PROCEEDS OF AN INSURANCE POLICY CONTAINING ANY FALSE, INCOMPLETE, OR MISLEADING INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING INFORMATION CONCERNING ANY FACT MATERIAL THERETO, IS GUILTY OF A FELONY AND IS SUBJECT TO CRIMINAL AND CIVIL PENALTIES.

**NOTICE TO DISTRICT OF COLUMBIA, MAINE, MASSACHUSETTS, TENNESSEE, VIRGINIA, AND WASHINGTON APPLICANTS:** 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.

**NOTICE TO APPLICANTS OF 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 INFORMATION IS GUILTY OF A FELONY OF THE THIRD DEGREE.

## Please Read Carefully

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I understand that the information submitted herein becomes a part of the Applicant Firm's Accountants Professional Liability Insurance Proposal Form and is subject to the same representations and conditions.

\_\_\_\_\_

Dated

\_\_\_\_\_

Signature of Owner, Partner, Officer or Principal

\_\_\_\_\_

Title

\_\_\_\_\_

Owner, Partner, Officer or Principal (Print Name)

This Carolina Casualty Insurance Company Proposal Form, including any material submitted herewith, shall be held in strictest confidence.

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

Please submit this Proposal Form including appropriate documentation to:

Monitor Liability Managers, Inc., 2850 West Golf Road, Suite 800, Rolling Meadows, IL 60008-4039