

PROGRESSIVE CASUALTY INSURANCE COMPANY

FINANCIAL INSTITUTION APPLICATION

DIRECTORS & OFFICERS / COMPANY LIABILITY

EMPLOYMENT PRACTICES LIABILITY

FINANCIAL INSTITUTION BOND/CSD

FDIC No. _____

THE LIABILITY POLICIES WHICH MAY BE ISSUED BASED UPON THIS APPLICATION PROVIDE CLAIMS MADE COVERAGE WRITTEN ON A NO DUTY TO DEFEND BASIS. DEFENSE COSTS ARE INCLUDED WITHIN THE LIMIT OF LIABILITY. AMOUNTS INCURRED AS DEFENSE COSTS WILL REDUCE THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGMENTS OR SETTLEMENTS. PLEASE READ YOUR POLICIES CAREFULLY.

Applicant _____

(List all entities applying for coverage including all subsidiaries)

Address _____ City _____ State _____ Zip Code _____

P.O. Box _____ City _____ State _____ Zip Code _____

Telephone _____ Fax _____ Website _____

Representative authorized to receive notices on behalf of all persons and entities:

Name _____ Title _____ E-mail _____

GENERAL INFORMATION

1. a. The Applicant is a: Bank Bank Holding Company Financial Services Holding Co.
 Savings Bank Savings & Loan / Thrift Other _____
- b. Corporate structure: C-Corporation S-Corporation Limited Liability Company
- c. Type of ownership: Stock Company Mutual Company Other _____

2. If a Stock Company:

a. Stock is: Privately Held Publicly Traded Ticker Symbol: _____ Exchange: _____

b. Number of: Holding Company Subsidiary Bank

i. Shareholders _____ _____

ii. Shares outstanding _____ _____

iii. % Shares owned directly or beneficially
by directors, officers and employees _____% _____%

c. List all persons or entities that own more than 10% of common stock (directly or beneficially) or debentures convertible to common stock, which if exercised, would result in a controlling interest of 10% or more of common stock. Indicate name, percentage owned and if such individual/entity is represented on the board.

3. Number of: _____ Employees (full and part-time) _____ Full Service Branches (including Main Office)
 _____ Off-Premises ATMs _____ Limited Facilities (accepts deposits; no lending)
 _____ Locations with Safe Deposit Boxes _____ Locations with Self-Storage Safe Deposit Boxes

4. List all subsidiaries and most recent year-end income/assets below or by attachment:

Name	Nature of Business	Parent Owner	% Owned	Date Established	Net Income	Total Assets

IT IS UNDERSTOOD AND AGREED THAT COVERAGE WILL NOT BE PROVIDED FOR ANY SUBSIDIARY UNLESS LISTED AND EXPRESSLY AGREED TO BY THE INSURER.

5. **PROFESSIONAL SERVICES:** Indicate all services that are now offered or that the Applicant or any Subsidiary contemplates offering within the next 12 months. Provide the most recent year-end revenue for each applicable service.

Real Estate

- Appraisal Services \$ _____
- Property Management \$ _____
- Real Estate Brokerage \$ _____
- Title Company \$ _____

Investment Services

- Investment Advisory Services \$ _____
- Security Broker/Dealer \$ _____
- Investment Banking \$ _____
- Securities Underwriting \$ _____
- Private Equity Investing \$ _____
- Trust Services \$ _____

(complete application 3114)

Accounting/Processing Services

- Accounting Services \$ _____
- Actuarial Services \$ _____
- Credit Card Processing \$ _____
- Tax Preparation \$ _____

Insurance Services

- Insurance Agency \$ _____
- Insurance Company \$ _____

Technology

- Internet/Electronic Banking (complete application 6285) \$ _____
- Data Processing \$ _____
- Internet Service Provider \$ _____
- Network Hosting \$ _____
- Network Security Services \$ _____
- Website Development \$ _____
- Consulting, Design or Sales \$ _____

Other (specify)

- IRA/Keogh Account Administration \$ _____
- Mortgage Banking Services \$ _____
- Loan Servicing (third party) \$ _____
- Wire transfer services \$ _____
- Notary public services \$ _____

IT IS UNDERSTOOD AND AGREED THAT COVERAGE WILL NOT BE PROVIDED FOR ANY SERVICE OR BUSINESS ACTIVITY UNLESS LISTED ABOVE AND EXPRESSLY AGREED TO BY THE INSURER.

6. Has the Applicant or any Subsidiary completed any of the following transactions during the past 3 years, or are any such transactions planned for the next 12 months:

- a. Stock offering, merger, consolidation, acquisition, divestment or sale of stock in excess of 10% of shares outstanding? Yes No
- b. Conversion from a mutual to stock form of ownership or from a Bank Holding Company to a Financial Services Holding Company? Yes No
- c. Going-private transaction, conversion from a C-Corporation to a Subchapter S-Corporation or any other transaction that eliminates shareholders? Yes No

If any of the answers to Question 6 are Yes, provide details by attachment. For stock offerings, attach a copy of the Prospectus or Placement Memorandum.

7. **MANAGEMENT:**

a. Indicate if there have been changes in any of the following positions during the past 3 years for reasons other than internal promotion, retirement or death (provide details and attach resumes of any new hires):

- No changes
- Chairman of the Board
- President and/or CEO
- Senior Operations Officer
- Senior Loan Officer
- Internal Auditor

b. List all board members who missed more than 25% of the board meetings within the past 12 months and reasons:

c. During the past 3 years, have there been any problems involving extensions of credit to directors or officers? Yes No

d. During the past 3 years, has any past or present director, officer or employee been charged with a crime or been the subject of a criminal investigation or disciplinary proceeding by a regulatory agency or organization? Yes No

If any of the answers to Question 7(a) through 7(d) are Yes, provide details by attachment.

8. **LEVELS OF REVIEW:**

- a. The internal audit function is performed by: Employee(s) External Firm Not Performed
- b. Internal audits are performed: Monthly Quarterly Annually Other _____
- c. Is the Audit Committee comprised only of outside directors? Yes No
- d. Summarize auditor's qualifications (or attach resumes) _____
- e. Are audit reports submitted directly to the: Board of Directors (or) Audit Committee
- f. Type of external audit: Full-scope Directors-scope Other _____
- g. The external audit is performed: Annually Every other year Other _____
- h. Was the most recent audit opinion unqualified (favorable)? Not Applicable Yes No
- i. Were any material weaknesses noted in the most recent Management Letter? Not Applicable Yes No
- j. Current level of internally classified assets: Substandard \$ _____ Doubtful \$ _____ Loss \$ _____
- k. **Attach a copy of the most recent Audit Report, Management Letter and Applicant's response.**
- l. Regulatory Agency _____ Date of Exam _____
- m. Have all criticisms in the exam report been addressed by the board of directors? Yes No
- n. During the past 3 years, has the Applicant or any Subsidiary been placed under, or to the best of your knowledge, does management anticipate:
 - i. any type of formal enforcement action, order or agreement; or Yes No
 - ii. a memorandum of understanding requiring public disclosure as dictated by securities law? Yes No

If the answer to Question 8(m) is No or 8(n) is Yes, provide details by attachment.

9. **LOAN REVIEW:**

- a. Loan reviews are conducted: Monthly Quarterly Annually Other _____
- b. The loan review function is performed by: Employee(s) External Firm (specify) _____
- c. During the past 3 years, has any director or officer become aware of any of the following conditions as a result of an internal audit or loan review:
 - i. Concentration of credit that warrants reduction or correction? Yes No
 - ii. Extension of credit that exceeds the legal lending limit? Yes No
 - iii. Conflict of interest transaction? Yes No

If any of the answers to Question 9(c) are Yes, provide details by attachment.

LENDER AND DEPOSITOR LIABILITY

Complete this section only if coverage is desired.

- 1. Is a written loan application required for every extension of credit? Yes No
- 2. For loans originated by the Applicant, are signatures on all notes and documents obtained in the presence of a bank employee, attorney, closing agent, escrow agent or title company employee? Yes No
- 3. For loans originated by third parties (e.g., mortgage brokers, other banks, etc.), are signatures on all notes and documents obtained in the presence of a bank employee, attorney, closing agent, escrow agent or title company employee? Not Applicable Yes No
- 4. Prior to opening a corporate account, is the customer required to provide a signed corporate resolution or letter designating certain individuals to sign on the account? Yes No
- 5. Does the Applicant prohibit the acceptance of checks made payable to corporate payees, but endorsed by individuals or endorsed over to individuals? Yes No
- 6. Are account statements forwarded to customers on a monthly basis? Yes No
If No, how often? _____
- 7. Are makers' signatures verified on checks in excess of \$10,000 drawn on the Applicant? Yes No
- 8. Are endorsements on negotiable instruments verified upon presentment? Yes No

If any of the answers to Questions 1 through 8 are No, provide details by attachment.

9. Indicate if the Applicant or any Subsidiary engages in the following:

Description	Answer	Existing Amount
Loan servicing for third parties	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Out-of-territory lending greater than 25% of total loans	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Loan participations originated by third parties	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Loan participations sold <u>with</u> recourse	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Unsecured commercial lending	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Construction lending for speculative buildings or homes	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Construction lending <u>without</u> firm take-out commitments	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Dealer floor planning	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Subprime lending	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
“Payday” lending (i.e., cash advances on checks held for future deposit)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Purchase of brokered loans or books of loans	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Use of mortgage brokers or other third-party loan or lease producers	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Origination of loan syndications or securitizations	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$

EMPLOYMENT PRACTICES LIABILITY

Complete this section only if coverage is desired.

1. Does the Applicant have a written manual of all personnel policies and procedures? Yes No
 - a. If Yes, does it include an employment-at-will statement? Yes No
 - b. If Yes, does it include a Sexual Harassment Policy? Yes No
 - c. If Yes, does it include a Discrimination Policy? Yes No
2. Prior to terminating employees, does the Applicant seek legal counsel? Yes No
3. Has employee turnover exceeded 25% in either of the past 2 years? Yes No
4. Have there been during the past 12 months, or does the Applicant anticipate in the next 12 months, any branch/office closings, layoffs, or reorganizations? Yes No
5. During the past 3 years, have there been or are there now any lawsuits, written or oral demands, employee grievances, negotiated settlements or administrative proceedings (EEOC, NLRB, etc) involving:
 - a. any past or present director, officer or employee resulting from their activities as such? Yes No
 - b. the Applicant or any Subsidiary? Yes No
6. **Attach a copy of the Applicant’s Employment Application used for all applicants for hire. If there are exceptions to Questions 2 through 5, provide details by attachment.**

FIDUCIARY LIABILITY

Complete this section only if coverage is desired.

Fiduciary Liability coverage pertains to retirement and welfare benefit plans for the benefit of the Applicant’s employees.

1. Complete the following for all Plans.

Plan Name	Asset Value	Year Established	Number of Participants

IT IS UNDERSTOOD AND AGREED THAT COVERAGE WILL NOT BE PROVIDED FOR ANY PLAN UNLESS LISTED ABOVE AND EXPRESSLY AGREED TO BY THE INSURER.

2. Is any Plan an Employee Stock Ownership Plan (ESOP)? Yes No
 If Yes, percentage of Company stock owned: _____%
3. Are any Plan assets (other than ESOP) currently:

- a. loaned to or invested in the securities of the Applicant, any Subsidiary or any affiliate? Yes No
- b. invested in bank deposits or any other investment vehicle sponsored by the Applicant? Yes No
- 4. Does any Plan have a funding deficiency? Yes No
- 5. Is any Plan currently under examination or is any issue related to a Plan currently pending before the Internal Revenue Service, Department of Labor, the Pension Benefit Guaranty Corporation or any court? Yes No
- 6. Did any of the past 3 actuarial assessments or external audit reports contain any qualifications? Yes No

If any of the answers to Questions 3 through 6 are Yes, provide details by attachment.

BROKERAGE / ADVISORY SERVICES

Complete this section only if coverage is desired.

1. Type of brokerage services offered:
 - Referral-basis only (if applicable, skip to next section)
 - Investment advisory services only
 - Discount brokerage only (purchase and sale of securities; no investment advice)
 - Full-service brokerage
2. Brokerage services are offered by:
 - The Applicant's own employees
 - The Applicant's own employees, who are also managed and/or compensated by a third-party broker-dealer (i.e., "dual employees") Firm name: _____
3. Total assets under management: \$ _____ Total Number of Accounts _____
4. If dual employees are used, does the Applicant's contract specify that the broker/dealer is responsible for supervision of the dual employees? Not Applicable Yes No
5. Are all securities and funds forwarded directly to the client or deposited directly into the client's account? Yes No
6. Do address changes require management approval and a written, signed request from the client? Yes No
7. Are account statements forwarded directly to the client from a central location at least quarterly? Yes No
8. Is a process in place to ensure that all transactions over \$5,000 are verified with the client by an individual other than the broker? Yes No
9. Are all employees prohibited from accessing client funds? Yes No

If any of the answers to Questions 4 through 9 are No, provide details by attachment.

10. Indicate all services that are now offered or that the Applicant or any Subsidiary contemplates offering within the next 12 months. Provide the most recent year-end revenue for each applicable service. Not Applicable

- | | | | |
|---|----------|--|----------|
| <input type="checkbox"/> Market making services | \$ _____ | <input type="checkbox"/> Underwriting activities | \$ _____ |
| <input type="checkbox"/> Market timing services | \$ _____ | <input type="checkbox"/> Economic forecasting | \$ _____ |
| <input type="checkbox"/> Private placements | \$ _____ | <input type="checkbox"/> Other (specify) _____ | \$ _____ |

INSURANCE SERVICES LIABILITY

Complete this section only if coverage is desired.

1. Type of insurance offered:

	% of Total Premium
<input type="checkbox"/> Credit Life & Disability	_____ %
<input type="checkbox"/> Homeowners & Personal Automobile	_____ %
<input type="checkbox"/> Health & Life	_____ %
<input type="checkbox"/> Commercial P&C	_____ %
<input type="checkbox"/> Annuities	_____ %
<input type="checkbox"/> Consulting/Loss Control Services	_____ %
<input type="checkbox"/> Claims Adjusting/TPA	_____ %
<input type="checkbox"/> Other (specify) _____	_____ %
100%	
2. Most recent year-end premium volume: \$ _____

FINANCIAL INSTITUTION BOND

Complete this section only if coverage is desired.

1. INTERNAL CONTROLS:

- a. Are all loan proceeds prepared and disbursed by someone other than the officer approving the loan? Yes No
- b. Does the Applicant fund loans or leases originated by mortgage brokers or leasing companies? Yes No
If Yes, signatures on all notes and documents are obtained by the: Applicant Broker or Leasing Company
 Other (specify) _____
- c. Are all currency shipments prepared, received and counted under dual control? Yes No
- d. Are employees' accounts segregated and reviewed for unusual activity at least monthly? Yes No
- e. Are dormant accounts flagged, segregated and maintained under dual control? Yes No
- f. Is there a formal program requiring the segregation of duties in every area, so that no single transaction can be fully controlled from origination to posting by one person? Yes No
If No, is there a formal program requiring the rotation of duties without prior notice thereof? Yes No
- g. Are all employees required to take vacations each year, and are they prohibited from accessing their work stations during the vacation period? Yes No
If Yes, vacations are required for a period of: At least two consecutive weeks
 At least one consecutive week
- h. Check kite suspect reports are reviewed: Daily Weekly Other _____ Not Reviewed
- i. Are all accounts (including suspense accounts) reconciled at least monthly by individuals who have no authority to post transactions to the accounts? Yes No

If any of the answers to Question 1 are No, provide details by attachment.

2. COMPUTER SYSTEMS:

- a. Core processing is: Performed internally by the Applicant
 Outsourced (entirely) Vendor: _____ Outsourced (partially) Vendor: _____
- b. Specify all computer systems to be covered under the Bond (other than the Applicant's proprietary systems):

IT IS UNDERSTOOD AND AGREED THAT COVERAGE WILL NOT BE PROVIDED FOR ANY COMPUTER SYSTEM UNLESS LISTED AND EXPRESSLY AGREED TO BY THE INSURER.

3. BROKERAGE SERVICES: If the Applicant provides brokerage services (either directly or indirectly), provide the following:

- a. Type of brokerage services offered:
 Referral-basis only (if applicable, skip to next section) Investment advisory services only
 Discount brokerage only (purchase and sale of securities; no investment advice) Full-service brokerage
- b. Brokerage services are offered by:
 The Applicant's own employees
 The Applicant's own employees, who are also managed and/or compensated by a third-party broker-dealer (i.e., "dual employees") Firm name: _____

LOSSES, PENDING LITIGATION AND CLAIMS HISTORY

All Applicants

1. Is the Applicant or any Subsidiary a defendant in any lawsuit which, if the allegations are proven, could materially affect the financial condition of the Applicant or any Subsidiary? Yes No

New Applicants Only

- 2. Have there been any Financial Institution Bond losses in excess of \$5,000 during the past 3 years, whether reimbursed or not? Yes No
- 3. Does the undersigned or any director or officer have knowledge of any fact, circumstance or situation involving the Applicant, its Subsidiaries or any past or present director, officer or employee, which could reasonably be expected to give rise to a future claim? Yes No
- 4. Has any carrier declined, cancelled or non-renewed any policy similar to the coverage herein applied for? (Missouri applicants are not required to respond to this question.) Yes No

If any of the answers in this section are Yes, provide details by attachment.

RENEWAL APPLICANTS: IT IS UNDERSTOOD AND AGREED THAT IF THE UNDERSIGNED OR ANY INSURED HAS KNOWLEDGE OF ANY FACT, CIRCUMSTANCE OR SITUATION WHICH COULD REASONABLY BE EXPECTED TO GIVE RISE TO A FUTURE CLAIM, THEN ANY INCREASED LIMIT OF LIABILITY OR COVERAGE ENHANCEMENT SHALL NOT APPLY TO ANY CLAIM ARISING FROM OR IN ANY WAY INVOLVING SUCH FACTS, CIRCUMSTANCES OR SITUATIONS. IN ADDITION, ANY INCREASED LIMIT OF LIABILITY OR COVERAGE ENHANCEMENT SHALL NOT APPLY TO ANY CLAIM, FACTS, CIRCUMSTANCES OR SITUATIONS FOR WHICH THE INSURER HAS ALREADY RECEIVED NOTICE.

NEW APPLICANTS: IT IS UNDERSTOOD AND AGREED THAT ANY CLAIM ARISING FROM ANY PRIOR OR PENDING LITIGATION OR WRITTEN OR ORAL DEMAND SHALL BE EXCLUDED FROM COVERAGE. IT IS FURTHER UNDERSTOOD AND AGREED THAT IF KNOWLEDGE OF ANY FACT, CIRCUMSTANCE OR SITUATION WHICH COULD REASONABLY BE EXPECTED TO GIVE RISE TO A CLAIM EXISTS, ANY CLAIM OR ACTION SUBSEQUENTLY ARISING THEREFROM SHALL BE EXCLUDED FROM COVERAGE.

REPRESENTATION STATEMENT

The undersigned declare that, to the best of their knowledge and belief, the statements in this application, any prior applications, any additional material submitted, and any publicly available information published or filed by or with a recognized source, agency or institution regarding business information for the Applicant for the 3 years proceeding the Bond/Policy's inception, and any amendments thereto [hereinafter called "Application"] are true, accurate and complete, and that reasonable efforts have been made to obtain sufficient information from each and every individual or entity proposed for this insurance. It is further agreed by the Applicant that the statements in this Application are their representations, they are material and that the Bond/Policy is issued in reliance upon the truth of such representations.

The signing of this Application does not bind the undersigned to purchase the insurance and accepting this Application does not bind the Insurer to complete the insurance or to issue any particular Bond/Policy. If a Bond/Policy is issued, it is understood and agreed that the Insurer relied upon this Application in issuing each such Bond/Policy and any Endorsements thereto. The undersigned further agrees that if the statements in this Application change before the effective date of any proposed Bond/Policy, which would render this Application inaccurate or incomplete, notice of such change will be reported in writing to the Insurer immediately.

FRAUD WARNINGS

ARKANSAS, LOUISIANA, NEW JERSEY, NEW MEXICO and VIRGINIA: 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. In Arkansas and Louisiana, that person may be subject to fines, imprisonment or both. In New Mexico, that person may be subject to civil fines and criminal penalties. In Virginia, penalties may include imprisonment, fines and denial of insurance benefits.

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 policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder 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.

DISTRICT OF COLUMBIA, KENTUCKY and 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. In District of Columbia, penalties include imprisonment and/or fines. In addition, the Insurer may deny insurance benefits if the applicant provides false information materially related to a claim. In Pennsylvania, the person may also be subject to criminal and civil penalties.

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

MAINE, TENNESSEE and WASHINGTON: 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 and/or denial of insurance benefits.

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

Chief Executive Officer, President or Chairman of the Board:

Print Name:	Signature:
Title:	Date:

Chief Financial Officer or Equivalent Officer:

Print Name:	Signature:
Title:	Date:

A BOND/POLICY CANNOT BE ISSUED UNLESS THE APPLICATION IS SIGNED/DATED BY TWO INDIVIDUALS.

Agent Name _____ License Number _____

Submit Application to:

Progressive Group of Insurance Companies, PLG Division
5920 Landerbrook Drive, PLG-L21 • Mayfield Heights, Ohio 44124
Telephone: (800) 274-5222 • Fax: (800) 456-6590 • Website: banks.progressive.com