



U.S. SPECIALTY INSURANCE COMPANY  
 HOUSTON CASUALTY COMPANY  
 HCC SPECIALTY INSURANCE COMPANY  
 13403 Northwest Freeway • Houston, Texas 77040

## PROPOSAL FOR INVESTMENT ADVISER AND FUND PROFESSIONAL AND DIRECTORS & OFFICERS LIABILITY INSURANCE

**NOTICE: THIS IS A CLAIMS-MADE POLICY. EXCEPT AS MAY BE OTHERWISE PROVIDED HEREIN, THE COVERAGE UNDER THIS POLICY IS LIMITED TO LIABILITY FOR WRONGFUL ACTS FOR WHICH CLAIMS ARE FIRST MADE WHILE THE POLICY IS IN FORCE AND WHICH ARE REPORTED TO THE INSURER NO LATER THAN SIXTY (60) DAYS AFTER THE TERMINATION OF THE POLICY. PLEASE READ AND REVIEW THE POLICY CAREFULLY.**

**THE LIMIT OF LIABILITY AVAILABLE TO PAY LOSS, INCLUDING JUDGMENT OR SETTLEMENT AMOUNTS, SHALL BE REDUCED BY AMOUNTS INCURRED FOR LEGAL DEFENSE AND OTHER CLAIMS EXPENSES. FURTHER NOTE THAT AMOUNTS INCURRED FOR LEGAL DEFENSE AND OTHER CLAIMS EXPENSES SHALL BE APPLIED AGAINST THE APPLICABLE RETENTION AMOUNT.**

**THE POLICY DOES NOT PROVIDE FOR ANY DUTY OR OBLIGATION ON THE PART OF THE INSURER TO DEFEND THE INSURED PERSON(S) AND THE INSURED ORGANIZATION(S).**

### 1. GENERAL INFORMATION

a) Name of proposed Named Insured \_\_\_\_\_

b) Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Website Internet Address (if applicable) http:// \_\_\_\_\_

c) Type of Structure (if not a corporation): \_\_\_\_\_

d) Listing of organizations, including subsidiaries and affiliations, proposed for coverage:

Insured Organization	Type of Organization (i.e., Fund, Investment Adviser, or Service Provider)	State of Formation and Date	Total fund assets or assets under management	# of Directors on Board indicating inside & outside (#I/#O)	1940 Act SEC Registered? (Yes or No)

e) Identify and describe any changes in the board of directors or senior management of any Insured Organization(s) which have occurred in the last 36 months for reasons other than death or retirement:

\_\_\_\_\_

\_\_\_\_\_

**2. REQUESTED COVERAGE**

- a) Limit of Liability \_\_\_\_\_
- b) Retention Amount \_\_\_\_\_
- c) Insuring Agreement Requested: 

		<b>Yes</b>	<b>No</b>
Investment Adviser E&O	A(1)	___	___
Investment Adviser D&O	A(2)/A(3)	___	___
Mutual Fund E&O	B(1)	___	___
Mutual Fund D&O	B(2)/B(3)	___	___
Service Provider E&O	C	___	___
Employment Practices Liability	D	___	___
Fiduciary Liability	E	___	___

**3. GENERAL QUESTIONS**

- a) Does any Insured Organization(s) perform professional services for organizations other than the Insured Organization(s)? \_\_\_\_\_ If yes, attach details.
- b) Is any Insured Organization(s) considering the formation of a new fund in the next twelve (12) months? \_\_\_\_\_ If yes, attach details.
- c) If a portfolio manager is not available, what is the procedure for making decisions in that person's absence?  
\_\_\_\_\_
- d) Has any Insured Organization(s) changed its legal counselor accountant in the last 36 months? \_\_\_\_\_
- e) Derivatives:
  - 1) List all funds and private accounts that hold derivatives, indicating the type of instruments, the percentage of each fund's or private account's total assets involved in derivatives and how the derivatives are used (i.e. hedging, yield enhancement, etc.)  
\_\_\_\_\_
  - 2) Is any Fund or Account leveraged? \_\_\_\_\_ If yes, what % is leveraged? \_\_\_\_\_
  - 3) Are all clients aware of the volatility of such investments and do they sign a disclosure statement acknowledging their understanding of such volatility? \_\_\_\_\_ If no, please explain:  
\_\_\_\_\_
  - 4) How often is a review conducted of the strategy used? \_\_\_\_\_ Is there verification that:
    - a. the strategy is consistent with the investment policy of the particular fund or account?
    - b. the use of derivatives is adequately communicated to clients?
    - c. the methods of valuations of any derivatives held or purchased are adequate?If yes to 4)a., 4)b. or 4)c., please explain: \_\_\_\_\_
- f) Are the services of a third-party or outside compliance firm utilized? If so, please provide the name and contact information of the firm. Please specify the dates on which this firm's services have been utilized in the last 24 months.  
\_\_\_\_\_  
\_\_\_\_\_

**4. INVESTMENT ADVISERS (to be completed only if purchasing Insuring Agreement A(1))**

- a) Does the Investment Adviser have a parent (ownership of more than 50%)? \_\_\_\_\_
- b) Identify registration with all regulatory agencies, commissions and associations: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c) For each Investment Adviser listed in answer 1.d) above, provide the following:

Accounts	Total # of Accounts	Total Asset Value (current year)	Total Asset Value (prior year)	Asset Value of Largest Account	Percentage Discretionary and Non-discretionary
ERISA Fiduciary Plans					
Non-ERISA Pension and Employee Benefit Plans					
Multi-Employer (Taft Hartley), union or governmental employee benefit plans					
Mutual Funds					
Personal Accounts (individual, trust, families and estates)					
Corporate/Institutional Accounts					
Custodial Accounts					
Others (please specify)					
GRAND TOTAL					

d) Indicate asset value and number of accounts lost, as well as the reasons, during the last twelve (12) months:

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e) Does the Investment Adviser recommend or invest in specialty investments on behalf of its clients? \_\_\_\_\_

If yes, complete the following:

Type of Specialty Investment	Yes/No	% of assets managed
below investment grade bonds (BBB or lower)		
guaranteed investment contracts		
commodity or other futures		
precious metals		
mortgages, mortgage pools, or other mortgage-backed		
oil/gas leases or investments		
real estate investment trusts (REITs)		
option contracts or futures		
general or limited partnerships		
real estate		
foreign securities (U.S. Exchange)		
international securities		
derivatives		
other		

f) Compliance

1) Is an "approved" list of securities maintained? \_\_\_\_\_ Are exceptions allowed and if so, how are they handled?

\_\_\_\_\_

2) Identify the name, title and years of experience of the person in charge of risk management and/or compliance.

\_\_\_\_\_

3) Are any risk management and/or compliance activities provided by outside service providers? Please explain:

\_\_\_\_\_

4) How often is compliance with investment and/or ERISA guidelines monitored?

\_\_\_\_\_

g) Personal Trading Policy:

1) Does it apply to all employees? \_\_\_\_\_

2) Are all employees required to acknowledge receipt of it? \_\_\_\_\_

h) Describe any violations of either the Personal Trading or the Code of Ethics Policies in the last 24 months. Also provide details as to circumstances and the action(s) taken.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

i) Portfolio Valuation Services:

1) Identify who provides this service: \_\_\_\_\_

2) How often are pricing sources tested to verify accuracy of portfolio market values? \_\_\_\_\_

j) Client Communication:

1) How often do clients receive portfolio financial statements? \_\_\_\_\_

2) How often are meetings held with clients? \_\_\_\_\_

3) What is the policy regarding the notification of a clients' security transaction and changes in investment portfolio? (if discretionary) \_\_\_\_\_

\_\_\_\_\_

4) Is there a published newsletter or any other type of publication? If yes, what is it called, who are the recipients and are they charged a subscription fee? \_\_\_\_\_

\_\_\_\_\_

k) Describe steps taken to ensure a client's suitability to any particular investment. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

l) Are there any procedures that ensure that the clients' investment management contracts are adhered to? If yes, please describe. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

m) Describe the internal audit department and/or any and all internal audit functions.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**5. OWNERSHIP STRUCTURE OF INSURED ORGANIZATION(S) AND ANNOUNCED CHANGES (to be completed only if purchasing Insuring Agreement A(2) and A(3))**

a) Are any of the shares publicly traded? \_\_\_\_ If yes,  
1) On which exchange are they traded? \_\_\_\_\_  
2) Has any entity made any SEC filings with respect to the securities? Please identify:  
\_\_\_\_\_  
3) Please attach the most recent proxy statement or notice, annual report and SEC forms filed within the last twelve (12) months.

b) Total number of shares/partnership units/interests outstanding \_\_\_\_\_

c) Total number of shareholders/limited partners/investors \_\_\_\_\_

d) Names and percentage ownership of any equity holder who holds, directly or beneficially, 5% or more of the shares/partnership units/interests outstanding: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

e) Names and percentage ownership of any equity holder who is also an Officer or Director \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

f) Describe any other securities of the Insured Organization(s):  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

g) Has the Insured Organization(s), Insured Person(s), or any Subsidiary disclosed that it now has under consideration any acquisition, tender offer, merger, divestiture or any type of roll-up transaction? \_\_\_\_\_ If yes, attach details.

- h) Has the Insured Organization(s), Insured Person(s), or any Subsidiary disclosed that it previously had under consideration and/or completed any acquisition, tender offer, merger, divestiture or any type of roll-up transaction within the last 24 months? \_\_\_\_\_ If yes, attach details.
- i) Has the Insured Organization(s), Insured Person(s), or any Subsidiary filed in the past 24 months, or contemplates filing within the next 12 months, any registration statement, prospectus, private placement memorandum, or similar document with any governmental authority for an offering of securities? \_\_\_\_\_  
If yes, provide applicable documents.

**6. FUNDS (to be completed only if purchasing Insuring Agreement B)**

a) For each Fund listed in 1.d) above, indicate the% of total gross sales accounted for in the last twelve (12) months by:

- 1) Third Party or independent brokers/dealers: \_\_\_\_\_%
- 2) In-house, affiliated captive brokers: \_\_\_\_\_%
- 3) Direct Marketing: \_\_\_\_\_%
- 4) Insurance Companies: \_\_\_\_\_%
- 5) Banks: \_\_\_\_\_%

b) If in-house or direct, indicate the % of such sales made in the last twelve (12) months by:

- 1) Full time sales force: \_\_\_\_\_%
- 2) Customer sales representatives: \_\_\_\_\_%

c) Are cold calls made? \_\_\_\_\_ If so, do they follow specific scripts or do they provide advice or make recommendations?

d) Are they paid on a commission basis? \_\_\_\_\_ If yes, please describe.

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e) Have there been any material changes in investment restrictions or limitations of any Fund in the last 24 months? \_\_\_\_\_ If yes, provide details.

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f) Have there been any material changes in administrative operations or investment policies of any Fund in the last 24 months? \_\_\_\_\_ If yes, provide details.

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**7. SERVICE PROVIDERS (to be completed only if purchasing Insuring Agreement C)**

a) Identify those Service Providers listed in 1.d) above that are third parties.

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- b) If the Service Provider is a third party, provide details regarding past and current professional liability insurance coverage and prior professional liability claims. \_\_\_\_\_  
\_\_\_\_\_
- c) For each Service Provider listed in 1.d) above, provide a detailed description of services to be provided and fees to be paid. \_\_\_\_\_  
\_\_\_\_\_
- d) Has any Service Provider been terminated within the last twelve (12) months? \_\_\_\_ If so, please provide details.  
\_\_\_\_\_  
\_\_\_\_\_
- e) How does the Insured Organization(s) monitor the Service Provider's compliance with any written contract? \_\_\_\_\_  
\_\_\_\_\_
- f) Describe any fee sharing arrangements the Insured Organization(s) has with the Service Provider in connection with product promotion and/or sales? \_\_\_\_\_  
\_\_\_\_\_

**RENEWAL APPLICANTS: QUESTIONS 8,9 AND 10 NEED NOT BE ANSWERED**

**8. PREVIOUS INSURANCE (For each Insured Organization (including Named Insured and/or Insured Person(s)))**

- a) Insurer \_\_\_\_\_
- b) Limit of Liability \_\_\_\_\_
- c) Retention Amount \_\_\_\_\_
- d) Provide details of any prior claims under such previous insurance (if none, so state). \_\_\_\_\_  
\_\_\_\_\_
- e) Have any former or current insurance carrier(s) indicated an intent not to offer renewal terms? \_\_\_\_\_  
If yes, please describe. \_\_\_\_\_  
\_\_\_\_\_
- f) Has insurance coverage under any extended reporting period and/or discovery period been purchased under any former or current insurance policies? \_\_\_\_\_ If yes, please describe. \_\_\_\_\_  
\_\_\_\_\_

**9. PREVIOUS EXPERIENCE**

- a) Has the Named Insured, the Insured Organization(s), or any entity or anyone for whom insurance is intended, been involved in the following?
 

(1) any antitrust copyright or patent litigation?	_____ Yes	_____ No	
(2) any civil or criminal action or administrative or disciplinary proceeding alleging a violation of any federal or state securities law or regulation?	_____ Yes	_____ No	
(3) any representative actions, class actions or derivative suits?	_____ Yes	_____ No	
(4) any bankruptcy, receivership or insolvency?	_____ Yes	_____ No	

(If yes to any of the above, provide full details.)

- b) Are there any pending claims against any entity or anyone for whom this insurance is intended which may fall within the scope of coverage afforded by any similar insurance presently or previously in effect? \_\_\_\_\_ Yes \_\_\_\_\_ No  
(If yes, provide full details.)
  - c) Has anyone for whom this insurance is intended given notice under the provisions of any other previous or current similar insurance policy of any facts or circumstances which may give rise to a claim being made against the Insured Organization(s) and/or Insured Person(s)? \_\_\_\_\_ Yes \_\_\_\_\_ No  
(If yes, provide full details.)
  - d) Identify and describe any SEC, state regulatory or self-regulatory organization's inspection, investigation or examination of any Insured Organization in the last 36 months.
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**IT IS UNDERSTOOD AND AGREED THAT IF ANY SUCH CLAIM(S) EXISTS OR ANY NOTICE SUCH AS DESCRIBED IN QUESTION 10. c) HAS BEEN GIVEN, THEN SUCH CLAIM(S) AND ANY CLAIM(S) ARISING FROM FACTS OR CIRCUMSTANCES WITH REFERENCE TO QUESTION 10. c) ARE EXCLUDED FROM THIS PROPOSED INSURANCE.**

**10. PRIOR KNOWLEDGE**

- a) Does any entity or anyone for whom this insurance is intended have any knowledge or information of any act, error, omission, fact or circumstance which may give rise to a claim within the scope of this proposed insurance?  
\_\_\_\_\_ Yes \_\_\_\_\_ No (If Yes, provide full details.)

**IT IS UNDERSTOOD AND AGREED THAT IF SUCH KNOWLEDGE OR INFORMATION EXISTS, ANY CLAIM(S) ARISING THEREFROM IS EXCLUDED FROM THIS PROPOSED INSURANCE.**

**11. REQUESTED MATERIALS**

- a) copy of the most recent prospectus and statement of additional information for each Fund;
- b) most recent Annual and Semi-Annual report for each Fund;
- c) complete Form ADV, including Parts I and 11 and all applicable schedules and any other registration documents pursuant to question 4.b) of this application;
- d) most recent financial statements for all proposed Insured Organizations;
- e) a standard client contract for both discretionary and non-discretionary accounts;
- f) performance figures for the last 36 months for all lines of investments in all accounts (except mutual funds) with a comparison to the S&P 500 or similar indices;
- g) copies of all types of disclosure statements to clients, e.g., investment volatility, etc.;
- h) copies of all CPA letters to management and management's response;
- i) most recent publication issued by the Insured Organization(s), if any;
- j) most recent brochures issued by the Insured Organization(s) and provided to the clients and/or prospective clients;
- k) copies of the risk management and/or compliance manual/procedures/guidelines; personal trading policy; and code of ethics policy (if any);
- l) copy of any written SEC or other regulatory findings as a result of examinations identified in question 9.d) and the Insured's written responses;
- m) copy of any indemnification agreement of the Insured Organization(s);
- n) copy of the most recent findings from any third -party or outside compliance firm pursuant to question 3.f) of this application;
- o) a completed Employment Practices Liability Addendum (if applicable); and
- p) a completed Fiduciary Liability Addendum (if applicable).



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 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."

NOTICE TO DISTRICT OF COLUMBIA APPLICANTS: "WARNING: It is a crime to provide false or misleading information to an insurer for the purpose of defrauding the insurer or any other person. Penalties include imprisonment and/or fines. In addition, an insurer may deny insurance benefits if false information materially related to a claim was provided by the applicant."

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

NOTICE TO HAWAII APPLICANTS: "For your protection, Hawaii law requires you to be informed that presenting a fraudulent claim for payment of a loss or benefit is a crime punishable by fines or imprisonment, or both."

NOTICE TO KENTUCKY APPLICANTS: "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 LOUISIANA APPLICANTS: "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 any may be subject to fines and confinement in prison."

NOTICE OF MAINE 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 may include imprisonment, fines or denial of insurance benefits."

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

NOTICE TO NEW MEXICO APPLICANTS: "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 and criminal penalties."

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 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 \$5,000 and the stated value of the claim for each such violations."

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

NOTICE TO OKLAHOMA APPLICANTS: "WARNING: 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 any false, incomplete or misleading information is guilty of a felony."

NOTICE TO PENNSYLVANIA APPLICANTS: "Any person 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 TENNESSEE AND VIRGINIA APPLICANTS: "It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the insurer. Penalties include imprisonment, fines and denial of insurance benefits."

Completion of this proposal does not bind the undersigned to purchase or the Insurer to issue a policy, but it is agreed that this proposal form together with all attachments to this proposal form, and any other materials submitted to the Insurer or requested in this proposal form and otherwise obtained by the Insurer shall be the basis of the contract should a policy be issued, and this proposal form, including any attachments and any material submitted herewith or requested herein and otherwise obtained by the Insurer, will be deemed physically attached to, incorporated into and part of this policy.

Any person who knowingly, or knowingly assists another, files an application for insurance or claim containing any false, incomplete or misleading information for the purpose of defrauding or attempting to defraud an insurance company may be guilty of a crime and may be subject to criminal and civil penalties and loss of insurance benefits.

The Insured Organization(s) and the Insured Person(s) agree that the statements made in this proposal form are the representations and warranties of the Insured Organization(s) and the Insured Person(s) and that they shall be deemed material to the acceptance of the risk or nature of the risk assumed by the Insurer under this policy and that this policy is issued in reliance upon the truth of such representations and warranties.

The proposal form must be signed by the Chief Executive Officer, President or highest-ranking executive officer of the Insured Organization(s).

\_\_\_\_\_  
Chief Executive Officer (or highest-ranking executive officer)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Producer Name

\_\_\_\_\_  
Producer Address  
\_\_\_\_\_  
\_\_\_\_\_

THIS APPLICATION MUST BE SUBMITTED TO:

**PROFESSIONAL INDEMNITY AGENCY, INC.  
PROFESSIONAL INDEMNITY AGENCY, INC. OF N.Y.**

37 Radio Circle Drive, P.O. Box 5000  
Mount Kisco, New York 10549-5000  
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