

Financial Products Policy Declarations

RLIRLI Insurance Company
Peoria, Illinois 61615

Policy No.

Item 1. **Parent Company** (name and address):Item 2. **Policy Period:** From 12:01 A.M. on
To 12:01 A.M.
Local time at the address shown in Item 1.Item 3. **Coverage Summary**
Description: Granted

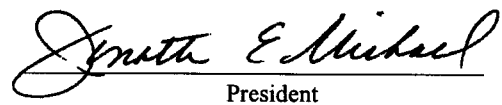
- Directors, Officers, and Corporate Securities Liability Coverage
- Fiduciary Liability Coverage
- Crime Coverage
- Kidnap/Ransom and Extortion Coverage
- Employment Practices Liability Coverage
- Professional Liability Coverage

Item 4. **Termination of Prior Policies**

THE DIRECTORS, OFFICERS, AND CORPORATE SECURITIES LIABILITY, FIDUCIARY LIABILITY, EMPLOYMENT PRACTICES LIABILITY AND PROFESSIONAL LIABILITY COVERAGE SECTIONS (WHICHEVER ARE APPLICABLE) ARE ALL WRITTEN ON A CLAIMS MADE BASIS. EXCEPT AS OTHERWISE PROVIDED, THESE COVERAGE SECTIONS COVER ONLY CLAIMS FIRST MADE AGAINST THE INSURED DURING THE POLICY PERIOD. PLEASE READ CAREFULLY.

In witness whereof, the Insurer issuing this Policy has caused this Policy to be signed by its authorized officers, but it shall not be valid unless also signed by the duly authorized representative of the Company.

RLI INSURANCE COMPANY


Secretary
President

Date

Authorized Representative

FINANCIAL PRODUCTS POLICY

General Terms and Conditions

Terms and Conditions

1. Except for the General Terms and Conditions or unless stated to the contrary in any coverage section, the terms and conditions of each coverage section of this Policy apply only to that section and shall not be construed to apply to any other coverage section of this Policy. Any defined term referenced in these General Terms and Conditions but defined in a coverage section shall, for purposes of coverage under that coverage section, have the meaning set forth in that coverage section.

Definitions

2. When used in this Policy:

"Parent Company" means the company named in Item 1 of the Declarations, including any such organizations as a debtor in possession under the United States bankruptcy law or an equivalent status under the law of any other country.

"Policy Period" means the period of time specified in Item 2 of the Declarations of this Policy, subject to prior cancellation or termination. If this period is less than or greater than one year, then the Limits of Liability specified in the Declarations for each coverage section shall be the Insurer's maximum limit of liability under such coverage section for the entire period.

Worldwide Territory

3. Coverage under this Policy shall extend anywhere in the world.

Valuation and Foreign Currency

4. All premiums, limits, retentions/deductibles, loss and other amounts under this Policy are expressed and payable in the currency of the United States of America. Except as otherwise provided in any coverage section, if judgment is rendered, settlement is denominated or another element of loss under this Policy is stated in a currency other than United States of America dollars, payment under this Policy shall be made in United States dollars at the rate of exchange published in The Wall Street Journal on the date the final judgment is reached, the amount of the settlement is agreed upon or the other element of loss is due, respectively.

Limits of Liability and Retention/Deductible Amounts

5. Unless stated to the contrary in any coverage section, the limits of liability and retention/deductible amount(s) shown for each coverage section of this Policy are separate limits of liability and separate retention/deductible amount(s) pertaining to the coverage section for which they are shown; the application of a retention/deductible amount to a loss under one coverage section of this Policy shall not reduce the retention/deductible amount under any other coverage section of this Policy.

Notice and Authorization

6. All notices under any coverage section of this Policy shall be in writing and given by prepaid express courier, certified mail or fax properly addressed to the appropriate party.

Notice to any Insureds may be given to the **Parent Company** at the address as shown in Item 1 of the Declarations. It is agreed the **Parent Company** shall act on behalf of all Insureds with respect to the giving and receiving of notice of Claim or loss, cancellation or termination, the payment of premiums and the receiving of any return premiums that may become due under this Policy, the negotiation, agreement to and acceptance of any endorsements issued to form a part of this Policy, and the exercising or declining to exercise any right to a Discovery Period.

Notice to the Insurer of any Claim under any coverage section of this Policy shall be given to RLI Insurance Company, 9025 North Lindbergh Drive, Peoria, Illinois 61615-1431, Attention: Claims Department. All other notices to the Insurer under any coverage section of this Policy shall be given to the same addressee but to the attention of the Underwriting Department. Notice given as described above shall be deemed to be received and effective upon actual receipt thereof by the addressee or one day following the date such notice is sent, whichever is earlier.

Action Against the Insurer

7. No action shall lie against the Insurer unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this Policy, nor until the amount of the Insureds' obligation to pay shall have been finally determined either by judgment against the Insureds after actual trial or by written agreement of the Insureds, the claimant and the Insurer.

No person or organization shall have any right under this Policy to join the Insurer as a party to any action against the Insureds to determine the Insureds' liability, nor shall the Insurer be impleaded by the Insureds or their legal representatives. Bankruptcy or insolvency of the Insureds or of the estate of an Insured shall not relieve the Insurer of any of its obligations hereunder.

Only if requested by the Insureds, the Insurer shall submit any dispute, controversy or claim arising out of or relating to this Policy or the breach, termination or invalidity thereof to final and binding arbitration pursuant to such rules and procedures as the parties may agree. If the parties cannot so agree the arbitration shall be administered by the American Arbitration Association in accordance with its then prevailing commercial arbitration rules. The arbitration panel shall consist of one arbitrator selected by the Insureds, one arbitrator selected by the Insurer, and a third independent arbitrator selected by the first two arbitrators. In any such arbitration, each party will bear its own legal fees and expenses.

Cancellation and Nonrenewal

8. This Policy or any coverage section shall terminate at the earliest of the following times:
- a) the effective date of termination specified in a prior written notice by the **Parent Company** to the Insurer, provided neither this Policy nor any coverage section may be terminated by the **Parent Company** if the **Policy Period** is more than 18 months,
 - b) ten days after the receipt by the **Parent Company** of a written notice of termination from the Insurer based upon failure to pay premium due, unless such premium is received by the Insurer prior to such tenth date,
 - c) at such other time as may be agreed upon by the Insurer and the **Parent Company**, or
 - d) upon expiration of the **Policy Period** as set forth in Item 2 of the Declarations of this Policy.

The Insurer shall refund the unearned premium computed at customary short rates if this Policy is terminated by the **Parent Company**. Under any other circumstances the refund shall be computed pro rata. Payment or tender of any unearned premium by the Insurer shall not be a condition precedent to the effectiveness of such termination, but such payment shall be made as soon as practicable. If the **Policy Period** is more than 18 months, the premium charged for this Policy shall be fully earned at inception of the **Policy Period**.

The Insurer shall not be required to renew this Policy upon its expiration.

Other Insurance

9. If any Loss is insured under any other valid policy(ies), prior or current, then this Policy shall cover such Loss subject to its limitations, conditions, provisions and other terms, only to the extent that the amount of such Loss is in excess of the amount of payment from such other insurance whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise, unless such other insurance is written only as specific excess insurance over the Limits of Liability provided in this Policy. This Policy will not be subject to the terms of any other insurance.

Assignment

10. This Policy and any and all rights hereunder are not assignable without the written consent of the Insurer.

Termination of Prior Bonds or Policies

11. Any Bonds or Policies issued by the Insurer or its affiliates and specified in Item 4 of the Declarations of this Policy shall terminate, if not already terminated, as of the inception date of this Policy. Such prior Bonds or Policies shall not cover any loss under the Crime or Kidnap/Ransom and Extortion coverage sections not discovered and notified to the Insurer prior to the inception date of this Policy.

Investigation and Settlement

12. The Insurer may make any investigation it deems necessary and may, with written consent of the Insured, make any settlement of a Claim it deems expedient.

If the Insurer has the right and duty to defend any Claim, the Insurer may, with the written consent of the Insureds, make any settlement of a Claim the Insurer deems expedient. If the Insureds withhold consent to such settlement, the Insurer's liability for all Loss on account of such Claim shall not exceed the amount for which the Insurer could have settled such Claim plus Defense Expenses accrued as of the date such settlement was proposed in writing by the Insurer to the Insured.

Subrogation

13. In the event of any payment under this Policy, the Insurer shall be subrogated to the extent of such payment to all the Insureds' rights of recovery. The Insured shall execute and deliver all instruments and papers and do whatever else is necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Insurer effectively to bring suit in the name of the Insured.

Changes

14. The terms and conditions of this Policy shall not be waived or changed, except by endorsement issued to form a part of this Policy.

Headings

15. The descriptions in the headings of this Policy are solely for convenience, and form no part of the terms and conditions of coverage.

Entire Agreement

16. The Insureds agree this Policy, including the Application and any endorsements, constitutes the entire agreement between the Insureds and the Insurer or any of its agents relating to this insurance.

Employment Practices Liability Coverage Section Declarations



RLI Insurance Company
Peoria, Illinois 61615

Item 1. Parent Company:

Item 2. Aggregate Limit of Liability (inclusive of Defense Expenses) for all Claims:

\$

Item 3. Retentions:

(a) Each Indemnifiable Claim:

\$

(b) Each Non-Indemnifiable Claim:

\$

Item 4. Discovery Period:

(a) Discovery Period Premium:

\$

(b) Discovery Period:

Item 5. Prior or Pending Date:

Item 6. Duty to Defend Coverage:

Yes No

Item 7. Leased Worker or Independent Contractor Coverage Granted:

Yes No

Item 8. Retroactive Date:

Item 9. Endorsements Effective at Inception:

EMPLOYMENT PRACTICES LIABILITY COVERAGE SECTION

In consideration of the payment of the premium, and in reliance upon the statements made to the Insurer in the Application forming a part hereof and its attachments and the material incorporated therein, RLI Insurance Company, herein called the "Insurer," and the Insureds agree as follows:

INSURING CLAUSE

1. The Insurer will pay on behalf of the Insureds, Loss which the Insureds are legally obligated to pay as a result of Claims first made during the Policy Period, or during the Discovery Period (if purchased), against an Insured by or on behalf of a past, present or prospective Employee for a Wrongful Employment Act.

DEFINITIONS

2. When used in this coverage section:

"**Claim**" means:

- i) a written demand for monetary relief, or
- ii) a civil proceeding commenced by the service of a complaint or similar pleading, or
- ii) a criminal proceeding commenced by the return of an indictment, or
- iv) an administrative, regulatory or EEOC (or similar state or local agency) proceeding commenced by the filing of a notice of charges or formal investigative order,

against any **Insured**, including any appeal thereof.

Claim shall not include any labor or grievance proceeding pursuant to a collective bargaining agreement.

"**Class Action**" means a civil proceeding against any **Insured** by or on behalf of a putative or certified class of past, present or prospective Employees, pursuant to Rule 23, Federal Rules of Civil Procedure, or a similar state rule of civil procedure.

"**Defense Expenses**" means reasonable and necessary fees and expenses (including without limitation attorneys' fees and experts' fees) incurred in the defense or appeal of a **Claim** after notice of such **Claim** is given to the Insurer pursuant to subsection 5 of this coverage section. **Defense Expenses** shall not include the **Entity's** overhead expenses or any salaries, wages, fees or benefits of its directors, officers or employees.

"**Discrimination**" means the failure to hire an applicant, the failure to promote, the demotion of, the segregation or classification of, or the employment related defamation of any **Employee** because of race, color, creed, religion, age, national origin, sex, sexual orientation or preference, gender, disability, handicap, pregnancy, obesity, marital status, or other protected class or characteristic established under any applicable federal, state or local statute or ordinance.

"**Employee**," either in the singular or plural, means any person who receives wages or a salary from the **Entity** for work that is directed and controlled by the **Entity**, including part-time, seasonal and temporary workers. For purposes of this definition, "temporary worker(s)" shall mean a person who is furnished to the **Entity** to substitute for a permanent **Employee** on leave, or to meet a seasonal or short term work load condition. Leased Workers or Independent Contractors are neither **Employees** nor **Insureds** under this coverage section UNLESS:

- i) coverage for Leased Workers or Independent Contractors is specifically purchased pursuant to Item 7 of the Declarations for this coverage section,
- ii) the Leased Workers or Independent Contractors are specifically scheduled by written endorsement attached hereto,

iii) the Leased Worker or Independent Contractor remains under the supervision of the **Entity**, and

iv) the **Entity** provides indemnification to such Leased Worker or Independent Contractor in the same manner as is provided to the **Entity's Employees**.

For purposes of this definition, "Leased Workers" shall mean any worker leased by a labor leasing firm under an agreement between the **Entity** and the labor leasing firm to perform duties related to the conduct of the **Entity's** business, and "Independent Contractor" shall mean any individual who is contracted to perform work for the **Entity**, and who is not considered an employee of the **Entity** under applicable law.

"**Entity**" means the **Parent Company** and all **Subsidiaries**.

"**Financial Impairment**" means the status of the **Entity** as a result of the appointment of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to control, supervise, manage or liquidate the **Entity**, or the **Entity** becoming a debtor in possession.

"**Harassment**" means:

- i) unwelcome sexual advances, requests for sexual favors, or other verbal, visual or physical conduct of a sexual nature that is made either explicitly or implicitly a term or condition of employment with the **Entity**, is used as a basis for employment decisions with the **Entity**, or creates a work environment that interferes with an **Employee's** performance or that is otherwise intimidating, hostile, or offensive; or
- ii) conduct of a non-sexual nature which creates a work environment that interferes with an **Employee's** performance or that is otherwise intimidating, hostile, or offensive.

"**Insured**," either in the singular or plural, means the **Entity** and all its past, present and future directors, officers and **Employees**. In the event of the death, incapacity or bankruptcy of any natural person **Insured**, any **Claim** against the estate, heirs, legal representatives or assigns of such natural person **Insured** for a **Wrongful Employment Act** of such natural person **Insured** will be deemed to be a **Claim** against such natural person **Insured**.

"**Loss**" means monetary damages, judgments, settlements and **Defense Expenses** which the **Insureds** are legally obligated to pay as a result of a covered **Claim**, including but not limited to punitive, exemplary and noncontractual liquidated damages where insurable under applicable law, pre- and post-judgment interest, back pay, front pay, damages for mental anguish or emotional distress, compensatory damages, and the multiple portion of any multiplied damage award.

The law of the jurisdiction most favorable to the insurability of those punitive or exemplary damages shall control whether such damages are insurable, provided that such jurisdiction is where:

- i) those damages were awarded or imposed;
- ii) any **Wrongful Employment Act** occurred for which such damages were awarded or imposed;
- iii) the **Entity** is incorporated or has its principal place of business; or
- iv) the Insurer is incorporated or has its principal place of business.

Loss shall not include: (1) taxes or civil or criminal fines or penalties imposed by law; (2) severance pay or damages determined to be owing under an express contract of employment or an express obligation to make such payments in the event of the termination of employment, including but not limited to payments for stock option or stock appreciation rights; (3) the payment of any insurance plan benefits; (4) the cost to provide any reasonable accommodation for any disabled person pursuant to the Americans with Disabilities Act or any similar federal, state or local law; (5) the cost to comply with any injunctive or other non-monetary relief or any agreement to provide any such relief; or (6) other matters which may be deemed uninsurable pursuant to the law under which this coverage section shall be interpreted.

"**Pollutants**" means any substance located anywhere in the world exhibiting any hazardous characteristics as defined by, or identified on a list of hazardous substances issued by the United States Environmental Protection Agency or a state, county, municipality or locality counterpart thereof. Such substances shall include, but not be limited to, solids, liquids, gaseous or thermal irritants, contaminants or smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste materials. **Pollutants** shall also mean any other air emissions, odor, waste water, oil or oil products, infectious or medical waste, asbestos or asbestos products, electric or magnetic or electromagnetic fields and any noise.

“Related Claims” means all **Claims** for **Wrongful Employment Acts** that have as a common nexus any fact, circumstance, situation, event, transaction, cause or series of related facts, circumstances, situations, events, transactions or causes.

“Retaliation” means unlawful or abusive treatment against an **Employee** which results from an **Employee’s** exercise or attempted exercise of his or her rights under law.

“Subsidiary” means any corporation while the **Entity** owns, directly or through one or more **Subsidiaries**, more than fifty percent (50%) of the outstanding securities representing the right to vote for the election of such corporation’s directors.

Subject to subsection 8 of this coverage section, coverage afforded under this coverage section with respect to **Claims** made against a **Subsidiary** or any **Insured** thereof shall only apply for **Wrongful Employment Acts** occurring after the effective time such **Subsidiary** became a Subsidiary and prior to the time such **Subsidiary** ceased to be a **Subsidiary**.

“Wrongful Employment Act” means actual or alleged:

- i) **Wrongful Termination** of an **Employee** by an **Insured**; or
- ii) **Discrimination** against an **Employee** or an applicant who has sought and been refused employment with the **Entity** by an **Insured**; or
- iii) **Harassment** against an **Employee** or an applicant who has sought and been refused employment with the **Entity** by an **Insured**; or
- iv) **Retaliation** against an **Employee** by an **Insured**; or
- v) any other violation of any federal, state or local laws concerning employment, including without limitation any failure to adopt adequate workplace or employment policies and procedures;

provided, such **Wrongful Employment Act** occurred on or after the Retroactive Date as stated in Item 8 of the Declarations for this coverage section and prior to the expiration of the **Policy Period**.

“Wrongful Termination” means the actual or constructive termination of an employment relationship in a manner which constitutes a violation of any law, a breach of an implied agreement to continue employment, or a retaliatory discharge.

EXCLUSIONS

3. The Insurer shall not be liable for **Loss** on account of any **Claim** made against any **Insured**:
 - a) for any actual or alleged bodily injury (other than mental anguish or emotional distress), sickness, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof;
 - b) for liability of others assumed by the **Insured** under any oral, written or implied contract or agreement; however, this exclusion shall not apply to the extent the **Insured** would have been liable in the absence of such contract or agreement; or
 - c) for compensation earned by the claimant in the course of employment but not paid by the **Insured**; however, this exclusion shall not apply to **Defense Expenses**, any back pay or front pay, or any additional compensation allegedly due as a result of **Discrimination**.
4. The Insurer shall not be liable for **Loss** on account of any **Claim** made against any **Insured** based upon, arising out of, directly or indirectly resulting from, or in consequence of:
 - a) any actual or alleged violation of the responsibilities, obligations or duties imposed by the Employee Retirement Income Security Act of 1974 (ERISA), any social security, worker’s compensation, disability benefits unemployment compensation law, the Fair Labor Standards Act (except the Equal Pay Act), the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act, rules or regulations promulgated thereunder and amendments thereto, or similar provisions of any federal, state or local statutory law or common law; however, this exclusion shall not apply to any **Claim** for actual or alleged **Wrongful Termination** or **Retaliation** on account of the claimant’s exercise of rights pursuant to any such law, rule or regulation;

- b) the actual, alleged or threatened discharge, release, escape or disposal of **Pollutants** into or on real or personal property, water or the atmosphere; or any direction or request that the **Insured** test for, monitor, clean up, remove, contain, treat, detoxify or neutralize **Pollutants**, or any voluntary decision to do so; including but not limited to any **Claim** for financial loss to the **Entity**, its security holders, participants, beneficiaries, or creditors based upon, arising out of, directly or indirectly resulting from, or in consequence of, the matters described in this exclusion; however, this exclusion shall not apply to any **Claim** for actual or alleged **Wrongful Termination** or **Retaliation** on account of the claimant's actual or threatened disclosure of the matters described in this exclusion;
- c) a lockout, strike, picket line, replacement or any similar actions in connection with labor disputes or labor negotiations;
- d) any litigation or EEOC (or similar state or local agency) proceeding or investigation against any **Insured** pending on or before the Pending or Prior Date set forth in Item 5 of the Declarations for this coverage section; or
- e) any **Wrongful Employment Act**, fact, circumstance, situation, transaction, or event which was the subject of any notice given under any prior policy or coverage section for employment practices or similar insurance, of which this coverage section is a direct or indirect renewal or replacement.

No **Wrongful Employment Act** of any **Insured Person** will be imputed to any other **Insured Person** to determine the applicability of the foregoing Exclusions.

CONDITIONS

5. Notice/Claim Reporting Provisions

If, during the **Policy Period** or the Discovery Period (if purchased):

- i) an **Insured** first becomes aware of a **Wrongful Employment Act** which may subsequently give rise to a **Claim**,
 - ii) the **Insureds** give the Insurer written notice of such **Wrongful Employment Act**, including a description of the **Wrongful Employment Act**, the identities of the potential claimants, the consequences which have resulted or may result from such **Wrongful Employment Act** and the circumstances by which the **Insured** first became aware of such **Wrongful Employment Act**, and
 - iii) the **Insureds** request coverage under this coverage section for any subsequent **Claim** arising from such **Wrongful Employment Act**;
- then the Insurer will treat any such subsequent **Claim** as if it had been first made during the **Policy Period**.

As a condition precedent to any right to payment in respect of any **Claim**, the **Insured** must give the Insurer written notice of such **Claim**, with full details, as soon as practicable after it is first made.

6. Defense and Settlement

If duty to defend coverage is granted pursuant to Item 6 of the Declarations for this coverage section, the Insurer shall have the right and duty to defend any **Claim** covered by this coverage section, even if any of the allegations are groundless, false or fraudulent. The Insurer's duty to defend shall cease upon exhaustion of the Limit of Liability set forth in Item 2 of the Declarations for this coverage section.

If duty to defend coverage is not granted pursuant to Item 6 of the Declarations for this coverage section, it shall be the duty of the **Insureds** and not the duty of the Insurer to defend **Claims**. The Insurer shall have the right and shall be given the opportunity to effectively associate with the **Insureds** in the investigation, defense and settlement (including the negotiation of a settlement) of any **Claim** that appears reasonably likely to be covered in whole or in part by this coverage section.

The **Insureds** agree to provide the Insurer with all information, assistance and cooperation which the Insurer reasonably requests, including without limitation attendance at hearings and trials, assistance in effecting settlements, obtaining and giving evidence and obtaining the attendance of witnesses, copies of records, investigations and pleadings. In the event of a **Claim** the **Insureds** will do nothing that may prejudice the Insurer's position or its potential or actual rights of recovery. The Insurer may make any investigation it deems necessary.

The **Insureds** agree not to settle or offer to settle any **Claim**, incur any **Defense Expenses** or otherwise assume any contractual obligation or admit any liability with respect to any **Claim** without the Insurer's written consent, which shall not be unreasonably withheld. The Insurer shall not be liable for any settlement, **Defense Expenses**, assumed obligation or admission to which it has not consented.

If duty to defend coverage is not granted pursuant to Item 6 of the Declarations for this coverage section, the Insurer shall, upon request, advance on a current basis covered **Defense Expenses** on behalf of the **Insureds** prior to the final disposition of any such **Claims**. Any advancement of **Defense Expenses** shall be subject to, and conditioned upon, receipt by the Insurer of a written undertaking by the **Insureds** that such advanced amounts shall be repaid to the Insurer by the **Insureds** severally according to their respective interests if and to the extent any such **Insured** shall not be entitled under the terms and conditions of this coverage section to coverage for such **Defense Expenses**.

7. Limit of Liability and Retention

The amount stated in Item 2 of the Declarations for this coverage section shall be the maximum aggregate liability of the Insurer under this coverage section for all **Loss** from all **Claims** for which this coverage section provides coverage, regardless of the time of payment by the Insurer, and regardless of whether such **Claims** are made during the **Policy Period** or during the Discovery Period (if purchased).

All **Related Claims** will be treated as a single **Claim** made when the earliest of such **Related Claims** was first made, regardless of whether such date is before or during the **Policy Period**. The applicable Retention shall apply only once to each such single **Claim**.

The Insurer's liability with respect to all **Loss** resulting from each **Claim** shall apply only to that part of **Loss** which is excess of the applicable Retention set forth in Item 3 of the Declarations for this coverage section, which shall be borne by the **Entity** uninsured and at its own risk.

No Retention shall apply to **Loss** incurred by any **Insured** for which the **Entity** is not permitted or required by law to indemnify or is permitted or required by law to indemnify but does not do so by reason of **Financial Impairment**. The Retention for Indemnifiable **Claims** set forth in Item 3 (a) of the Declarations for this coverage section shall apply to all other **Loss**. For purposes of this subsection 7 the resolutions of the **Entity** shall be deemed to provide indemnification for **Loss** to the fullest extent permitted by common or statutory law.

If **Loss** resulting from a **Claim** is subject in part to no Retention and in part to the Retention for Indemnifiable **Claims**, the Retention for Indemnified **Claims** shall be applied only to that part of the **Loss** otherwise subject to such Retention.

Defense Expenses will be part of and not in addition to the Limit of Liability, and payment of **Defense Expenses** by the Insurer will reduce its Limit of Liability.

If the Limit of Liability is exhausted by the payment of **Loss**, the premium will be fully earned, all obligations of the Insurer under this coverage section will be completely fulfilled and exhausted, and the Insurer will have no further obligations of any kind or nature whatsoever under this coverage section.

Solely with respect to **Claims** under this coverage section which are **Class Actions** and which are fully and finally resolved with prejudice in favor of all **Insureds** without any **Insureds** becoming legally obligated to pay any monetary damages or settlement or judgment amounts arising out of the **Claim**, the Insurer shall reimburse the amount of the Retention paid by the **Insureds** for **Defense Expenses** in such **Claim**.

If such a **Class Action Claim** is dismissed in its entirety without prejudice and without any **Insureds** becoming legally obligated to pay any monetary damages or settlement, such reimbursement shall occur 90 days after the date of dismissal as long as the **Claim** is not brought again within that time, and further subject to an undertaking by the **Insureds** in a form acceptable to the Insurer that such reimbursement shall be paid back by the **Insureds** to the Insurer in the event the **Claim** is brought after such 90 day period and before the expiration of the statute of limitations for such **Claim**.

8. Acquisitions, Mergers and Subsidiaries

If during the **Policy Period** the **Entity** acquires securities or voting rights in another entity or creates another entity which as a result of such acquisition or creation such entity becomes a **Subsidiary**; or acquires any entity by merger into or consolidation with such entity ("Event"), then such entity and its directors, officers and **Employees** shall become **Insureds** if:

- i) the **Entity** gives written notice to the Insurer of the Event within 90 days of such Event together with such information the Insurer may require (except as provided for in (1) and (2) below), and
- ii) the **Entity** pays any reasonable additional premium required by the Insurer.

Such coverage shall be afforded, subject to the terms and conditions of this coverage section, from the date of the Event for such **Subsidiary** and any **Insureds**, but only for **Wrongful Employment Acts** committed or allegedly committed after the Event, unless the Insurer agrees by endorsement to provide coverage for **Wrongful Employment Acts** committed or allegedly committed prior to such date.

The requirement that written notice of the Event be given to the Insurer shall not apply if: (1) the total number of new **Employees** does not exceed 10% of the total **Employees** as reflected in the **Entity's** Application to the Insurer for this coverage section; or (2) the total number of new **Employees** arising out of the Event is less than 1000.

9. Marital Estate Extension

Subject otherwise to the terms hereof, this coverage section shall cover **Loss** arising from any **Claim** made against the lawful spouse (whether such stature is derived by reason of statutory law, common law or any other applicable law of any jurisdiction in the world) of an **Insured** for **Claims** arising solely out of his or her capacity as the spouse of an **Insured**, including such **Claims** that seek damages recoverable from marital community property, property jointly held by the **Insured** and the spouse; or property transferred from the **Insured Person** to the spouse; provided, however, this extension shall not afford coverage for **Wrongful Employment Acts** of the spouse. All terms, conditions and other provisions of this coverage section, inclusive of any provision relative to the applicable retention, which would be applicable to **Loss** incurred by the **Insured** in such **Claim** shall also apply to **Loss** incurred by the spouse in such **Claim**.

10. Change of Control

If, during the **Policy Period**:

- a) the **Parent Company** shall consolidate with or merge into, or sell all or substantially all of its assets to any other person or organization or group of persons or organizations acting in concert; or
- b) any person or organization or group of persons or entities acting in concert shall acquire an amount of the outstanding securities representing more than 50% of the voting power for the election of directors of the **Parent Company**, or acquires the voting rights of such an amount of such securities;

(either of the above events herein referred to as the "Transaction").

then this coverage section shall continue in full force and effect as to **Wrongful Employment Acts** occurring prior to the effective time of the Transaction, but there shall be no coverage afforded by any provision of this coverage section for any **Wrongful Employment Act** occurring after the effective time of the Transaction and the entire premium for this coverage section shall be deemed fully earned as of such time. The **Parent Company** shall also have the right to elect a Discovery Period described in Section 11 of this coverage section or a greater period as may be negotiated with the Insurer.

The **Parent Company** shall give the Insurer written notice of the Transaction as soon as practicable, but not later than 30 days after the effective date of the Transaction.

11. Discovery Period

If: i) the **Parent Company** cancels this coverage section, ii) either the Insurer or the **Parent Company** refuses or declines to renew this coverage section for any reason, or iii) a Transaction described in subsection 10 occurs, and, within thirty (30) days after the end of the **Policy Period** the **Parent Company** elects to purchase the Discovery Period by paying the additional premium set forth in Item 4 (a) of the Declarations for this coverage section, then the coverage otherwise afforded by this coverage section will be extended for the period set forth in Item 4 (b) of the Declarations for this coverage section but only for **Wrongful Employment Acts** occurring before the end of the **Policy Period** or the date of any Transaction under subsection 10, whichever is earlier. The Limit of Liability for the Discovery Period (if purchased) shall be part of, and not in addition to the Limit of Liability for the **Policy Period**.

As a condition precedent to the right to exercise the Discovery Period, the total premium for this coverage section must have been paid in full.

If the Discovery Period is purchased, the entire premium for the Discovery Period shall be deemed fully earned at its commencement.

Subject to all the terms and conditions of this subsection 11, the Insurer shall, upon request, provide the **Parent Company** with a quotation for a three year Discovery Period.

12. Representations; Severability

The **Insureds** represent the particulars and statements contained in the Application are true, accurate and complete, and agree that this coverage section is issued in reliance on the truth of those representations, and agree that such particulars and statements, which are deemed to be incorporated into and to constitute a part of this coverage section, are the basis of this coverage section. In the event any of the particulars or statements in the Application are untrue, this coverage section will be void with respect to any **Insured** who knew the facts that were not truthfully disclosed or to whom such knowledge is imputed, whether or not such **Insured** knew the Application contained the untruthful disclosure. No knowledge or information possessed by any natural person **Insured** will be imputed to any other natural person **Insured** except for material facts or information known to the person or persons who signed the Application.

This coverage section is signed for the Insurer by its authorized officers. It is countersigned on the Declarations, where required by law, by a duly authorized agent of the Insurer.

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