

ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE POLICY

THIS IS A CLAIMS MADE AND REPORTED POLICY. PLEASE READ IT CAREFULLY.

In consideration of the payment of the premium and in reliance upon the statements in the application and supplements attached hereto and made a part hereof, and subject to all terms of the policy, the Company agrees with the NAMED INSURED as follows:

INSURING AGREEMENTS

I. COVERAGE – PROFESSIONAL LIABILITY

The Company will pay on behalf of the INSUREDS those sums in excess of the deductible which the INSUREDS become legally obligated to pay as DAMAGES as a result of CLAIMS first made against the INSUREDS by the reason of a negligent act, error or omission in the performance of PROFESSIONAL SERVICES, provided CLAIM is first made during the POLICY PERIOD and written report of the CLAIM is received by the Company the POLICY PERIOD or within sixty (60) days thereafter.

II. DEFENSE, INVESTIGATION AND SETTLEMENT OF CLAIMS

As respects such CLAIMS which are covered by this policy, the Company shall:

- A. have right and duty to defend, including selection of counsel and arbitrators, in any INSURED'S name and on any INSURED'S behalf any CLAIM for DAMAGES against any INSURED, even if such CLAIM is groundless, false or fraudulent and shall have the right to make such investigation, negotiation and settlement, subject to II.B. below, of any CLAIM as it deems expedient;
- B. not settle any CLAIM without the written consent of the NAMED INSURED which consent shall not be unreasonably withheld. If, however the NAMED INSURED refuses to content to a settlement recommended by the Company and elects to contest the CLAIM or continue legal proceedings in connection with such CLAIM, the Company's liability for the CLAIM shall not exceed the amount for which the CLAIM could have been settled, including CLAIMS EXPENSES up to the date of such refusal, or the applicable limits of liability, whichever is less;
- C. reimburse up to \$500 to each INSURED for each day or part thereof for his or her attendance at the Company's request at trial, court-imposed hearing, settlement conference, mediation or arbitration proceeding involving a CLAIM, but the total amount so payable shall not exceed \$10,000 per CLAIM. Such payments shall be based upon 50% of the normal hourly billing rates for each INSURED. The deductible shall not apply to this provision, however, any payments made by the Company under this provision will be included within the applicable limit of liability and not in addition thereto.

The Company shall not be obligated to pay any DAMAGES or defend or continue to defend any CLAIM after the limit of the Company's liability has been exhausted by payment of DAMAGES and/or CLAIMS EXPENSES, or by deposit of sums equal to the applicable limits of liability in a court having jurisdiction.

III. DISCIPLINARY PROCEEDINGS

If, during the POLICY PERIOD, a DISCIPLINARY PROCEEDING is commenced against any INSURED, by reason of any negligent act, error or omission in the performance of PROFESSIONAL SERVICES for others occurring on or after the RETROACTIVE DATE, if any, and the INSURED reports the alleged negligent act, error or omission to the Company during the POLICY PERIOD, the Company will reimburse the INSURED for reasonable attorney fees, costs and expenses incurred in responding to such DISCIPLINARY PROCEEDING. The maximum amount payable, regardless of the number of DISCIPLINARY PROCEEDINGS or the number of INSUREDS, shall be \$10,000 per POLICY PERIOD. The deductible shall not apply to this provision, however, any payments made by the Company under this provision will be included within the applicable limit of liability and not in addition thereto. The Company shall not be obligated to defend, or pay any fine, penalty or award resulting from any DISCIPLINARY PROCEEDING.

IV. REPORTING OF POTENTIAL CLAIMS

If, during the POLICY PERIOD, any INSURED first becomes aware of a potential CLAIM (i.e., any act, error or omission which might reasonably give rise to a CLAIM against any INSURED under this policy) and the INSURED give immediate written notice of such act, error or omission to the Company during the POLICY PERIOD, any CLAIMS subsequently made against any INSURED by reason of that act, error or omission shall be considered to have been made during the POLICY PERIOD.

Written notice a potential CLAIM shall include:

- A. a description of the specific act, error or omission including the date(s) thereof; and
- B. the injury or damage that could reasonably result therefrom; and
- C. the date and circumstances by which any INSURED became aware of the act, error or omission.

V. TERRITORY

This policy applies to negligent acts, errors or omissions that occur anywhere in the world provided CLAIM is made and suit or arbitration proceedings are brought against any INSURED in the United States of America, its territories or possessions or Canada.

DEFINITIONS

- I. "CLAIM" MEANS:** a demand made upon any INSURED for DAMAGES, including, but not limited to, service of suit or institution of arbitration proceedings against any insured.

All CLAIMS arising out of the same act, error or omission, or acts, errors or omissions which are logically or causally connected in any way shall be deemed as a single CLAIM. All such CLAIMS whenever made shall be considered first made on the date on which the earliest CLAIM arising out of such act, error or omission was first made and all such CLAIMS are subject to the same limits of liability and deductible.

- II. "CLAIMS EXPENSES" MEANS:**

- A. fees charged by any Lawyer designated by the Company to defend the interests of any INSURED; and

- B. if authorized by the Company, all other reasonable fees, costs and expenses resulting from the investigation, adjustment, defense or appeal of any CLAIM, including but not limited to:
1. all costs taxed against the INSURED and post judgment interest on the portion of any judgment for which the Company is liable under this policy until the Company has tendered or deposited in court or otherwise such judgement amount for which the
 2. appeal bonds in an amount not to exceed the Company's limit of liability. The Company shall have no obligation to apply for, or furnish such bonds.

CLAIMS EXPENSES shall not include salaries and expenses of regular employees or officials of the Company or any INSURED.

III. "DAMAGES" MEANS: monetary compensation for past harms or injuries, provided always that DAMAGES shall not include:

- A. punitive or exemplary damages; or
- B. sanctions, fees, fines or penalties imposed on any INSURED; or
- C. the amount of any multiplied damage awarded that is in excess of the damage award so multiplied; or
- D. fees or other consideration paid to any INSURED; or
- E. Liquidated damages as provided under as contract or statute.

IV. "DISCIPLINARY PROCEEDING" MEANS: any proceeding by a regulatory or disciplinary official or agency to investigate charges made by a client or former client alleging professional misconduct in rendering or failing to render PROFESSIONAL SERVICES.

V. "EXECUTOR" MEANS: the person appointed by a testator in his or her will to carry out the directions and requests in the will, and to dispose of the property according to the testamentary provisions of the will.

VI. "INSURED" MEANS:

- A. the NAMED INSURED;
- B. any PREDECESSOR FIRM OR SUCCESSOR FIRM;
- C. any past or present partner, officer, director, stockholder or employee of the NAMED INSURED or entity specified in Item VI.B. above, but only as respects PROFESSIONAL SERVICES rendered on behalf of the NAMED INSURED, or any PREDECESSOR FIRM;
- D. any accountant or accounting firm while performing PROFESSIONAL SERVICES for, and under contract with the NAMED INSURED, PREDECESSOR FIRM or SUCCESSOR FIRM.
- E. the heirs, executors, administrators and legal representatives of any INSURED in the event of any INSURED'S death, incapacity or bankruptcy, but only as respects PROFESSIONAL SERVICES rendered prior to such INSURED'S death, incapacity or bankruptcy and only to the extent that such INSURED would otherwise to be covered by this policy.

- VII. “NAMED INSURED” MEANS:** the person or entity stated in Item A. of the Declarations.
- VIII. “POLICY PERIOD” MEANS:** the period from the effective date of this policy to the expiration date as set forth in the Declarations or earlier termination date, of any of this policy.
- IX. “PREDECESSOR FIRM” MEANS:** an accounting firm or practice, some or all whose principals, owners, partners or officers have joined the NAMED INSURED provided such individuals were responsible for producing in excess of 50% of the prior firm’s annual gross billings and such billings have been assigned or set over to the NAMED INSURED.
- X. “PROFESSIONAL SERVICES” MEANS:**
- A. services performed or advice given by any INSURED to others for a fee or otherwise in the conduct of the INSURED’S practice as an accountant; including without limitation, duties performed or advice’s given in connection with the American Institute of Certified Public Accountants or any state society of certified public accountants;
 - B. services performed by any INSURED as a notary public;
 - C. services performed by any INSURED as a TRUSTEE, RECEIVER or EXECUTOR;
 - D. activities of the INSURED as a member of a formal accreditation, ethics, peers review, licensing board, standards review or similar professional board or committee for the accounting professional. Exclusion F., as it applies to restraint of trade or antitrust violation, shall not apply to these activities;
 - E. if arising out of A, B,C, or D libel, slander or invasion of privacy.
- XI. “RECEIVER” MEANS:** a person appointed by a court for the purpose of property of a debtor pending an action against him or her whenever there is danger that in the absence of such appointment the property will be lost, removed or injured; or a person who receives, collects, cares for and disposes of the property of another or others in accordance with a written agreement made between persons having interests in such property.
- XII. “RETROACTIVE DATE” MEANS:** the date, if specified in the Declarations or in any endorsement attached hereto, on or after which any negligent act, error or omission must have occurred in order for CLAIMS arising therefrom to be covered under this policy. CLAIMS arising from any negligent act, error or omission occurring prior to this date are not covered by this policy.
- XIII. “SUCCESSOR FIRM” MEANS:** after dissolution of the NAMED INSURED, any accounting firm or practice in which some or all of the principals, owners, officers and/or partners of the NAMED INSURED have joined an existing, or formed a new, accounting firm provided such persons were responsible for producing in excess of 50% of the NAMED INSURED’S annual gross billings at the time of dissolution and such billings have been assigned or transferred to the successor accounting firm; provided this policy does not apply to PROFESSIONAL SERVICES if the SUCCESSOR FIRM is also an INSURED under any similar professional liability or indemnity policy, or would be an INSURED under any such policy but for exhaustion of its limits of liability. This coverage shall terminate on this Policy’s expiration date of 90 days from the date of dissolution of the NAMED INSURED, whichever is earlier, unless written notice is give to the Company, together with such information as the Company may request, and the SUCCESSOR FIRM shall pay any additional premium required in the event the Company agrees to continue the policy.

- XIV. "TRUSTEE" MEANS:** one who holds legal title to property under an express trust agreement to administer the property for the benefit or use of another and who must carry out specific duties with regard to the property.

EXCLUSIONS

This policy does not apply to any CLAIM or DAMAGES arising out of:

- A. (i) mental or emotional injury or distress of any person; or (ii) arising from bodily injury to, or sickness, disease, or death of any person. This exclusion does not apply to mental illness, emotional distress or humiliation caused by libel, slander or invasion of privacy;
- B. any act, error or omission occurring prior to the effective date of this policy if any INSURED at the effective date knew or could have reasonably foreseen that such act, error or omission might be the basis of a CLAIM;
- C. loss of, injury to, or destruction of tangible property or for loss of use thereof. However, this exclusion does not apply to client records which are in the INSURED'S care, custody or control, or over which the INSURED is exercising physical control of any reason;
- D. any INSURED'S activities as an officer, director, partner, joint venture, manager employee or independent contractor of any company, corporation, operation, organization or association other than the NAMED INSURED;
- E. any dishonest, fraudulent, criminal, malicious or knowingly wrongful or reckless act, error or omission of any INSURED;
- F. any actual or alleged violations of state or federal antitrust, price fixing, restraint or trade, copy right or deceptive trade practice laws, rules or regulations;
- G. the alleged certification or acknowledgement by any INSURED, in his or her capacity as a notary public, of a signature on a document which the INSURED did not witness being placed on the document;
- H. any INSURED gaining any personal profit or advantage to which the INSURED was not legally entitled;
- I. PROFESSIONAL SERVICES performed for any: trust, estate; organization; corporation; company; partnership; person; operation or entity, other than the NAMED INSURED;
 - a.) to whom any INSURED promoted, solicited or sold securities, real estate or other investments; or
 - b.) for which any INSURED received a fee or commission prohibited by the Rules of Conduct of the American Institute of Certified Public Accountants;
- J. the sale or solicitation for sale of securities, real estate, insurance products, or any other investment by an INSURED. This exclusion does not apply to CLAIMS arising out to the the NAMED INSURED'S preparation of pro forma financial statements for public or private offerings;
- K. PROFESSIONAL SERVICES performed pre or post formation in connection with any organization; corporation; company; partnership; joint venture; operation; or entity (other than the Named Insured) while any INSURED was or became an officer, director, partner, manager or holder of more than a 10% equity interest;

- L. any INSURED'S activities as a trustee for any mutual or investment fund or trust, or a trust set up in connection with a pension, profit sharing, or other employee benefit plan subject to ERISA or any similar state law;
- M. conversion, misappropriation or improper commingling of client funds or funds held for the benefit of a client;
- N. any act, error or omission occurring prior to the RETROACTIVE DATE specified in the Declarations or any endorsement;
- O. any DISCIPLINARY PROCEEDINGS except as provided in Insuring Agreement III;
- P. the use, handling, sale, distribution, transport, shipment, dispersal, storage, or disposal of any nuclear, radioactive or fissionable material, or any alleged violation of any environmental statute, regulation, or ordinance with respect to such material;
- Q. the planning, construction, maintenance, operation or use of any nuclear reactor, nuclear waste storage facility or disposal site or any other nuclear facility, or nuclear reaction, nuclear radiation or radioactive contamination, or to any act or condition incident to the foregoing;
- R. actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of any solid, liquid, gaseous, thermal, or aural irritant, pollutant, contaminant, or organism, including, but not limited to noise, lead, smoke, vapors, electromagnetic radiation, soot, fumes, acids, alkalis, chemicals or waste materials (including those that are or to be stored, recycled, reconditioned or reclaimed), into or upon land, air water or property;
- S. the manufacture of, mining of, use of, removal of, or exposure to asbestos, asbestos products, asbestos fibers or asbestos dust.

Exclusions (E), (H) and (M) do not invalidate this insurance as to any INSURED who did not act with knowledge or consent in the matter to which the exclusion applies.

LIMITS OF LIABILITY AND DEDUCTIBLE

I. LIMIT OF LIABILITY

The limit of liability shall apply in excess of the deductible, CLAIMS EXPENSES and amounts paid in satisfaction of CLAIMS are subject to the applicable limits of liability. The inclusion of more than one INSURED in any CLAIM or the assertion of CLAIMS by more than one person or organization shall not operate to increase the limits of liability and deductible.

All CLAIMS EXPENSES shall first be subtracted from the limits of liability, with the remainder, if any, being the amount available to pay DAMAGES.

The liability of the Company for the combined total of DAMAGES and CLAIMS EXPENSES for each CLAIM shall not exceed the amount stated in the Declarations concerning each CLAIM.

Subject to Item C in the Declarations concerning each CLAIM, the liability of the Company for the combined total of Damages and CLAIM EXPENSES shall not exceed the amount stated in the Declarations as "aggregate" for all CLAIMS first made against any INSUREDS during the POLICY PERIOD, and all Extended Reporting Periods, if purchased.

II. DEDUCTIBLE

The deductible stated in the Declarations applies to each CLAIM and shall be paid by the NAMED INSURED. The deductible shall be first applied to all CLAIMS EXPENSES with the remainder, if any, then to be applied to DAMAGES. Payment of the deductible or portions thereof shall be made by the NAMED INSURED with thirty (30) days or receipt of demand by the Company.

III. CLAIMS EXPENSES

CLAIMS EXPENSES shall be included within the deductible and the limits of liability and not in addition thereto. Such CLAIMS EXPENSES shall reduce the available limit of liability.

IV. REIMBURSEMENT TO COMPANY

If the Company has paid any amounts as DAMAGES and/or CLAIMS EXPENSES in satisfaction of any CLAIMS in excess of the applicable limit of liability, or has paid DAMAGES and/or CLAIMS EXPENSES within the amount of applicable deductible, the NAMED INSURED shall be liable to the Company for any and all such amounts and, upon demand, shall pay such amounts to the Company.

CONDITIONS

I. INSURED'S DUTIES PRECEDENT TO COVERAGE

As a condition precedent to the availability of coverage under this policy, an INSURED'S duties in the event of a CLAIM or potential CLAIM are as follows:

- A. If a CLAIM is made against an INSURED, or any INSURED becomes aware of any potential CLAIM in accordance with Insuring Agreement IV, the INSURED must give prompt written notice to the Company, directed to:

- B.
 - Philadelphia Insurance Companies
 - One Bala Plaza, Suite 100
 - Bala Cynwyd, Pennsylvania 19004
 - Attention: Claims Department

Notice shall include every demand, notice, summons or other service of process received by any INSURED.

- C. No INSURED shall, without prior written consent of the Company, make any payment, admit liability, settle CLAIMS, assume any obligation, or agree to arbitration or any method of alternative dispute resolution for which the result is binding upon the INSURED; nor shall the INSURED waive any rights or incur any CLAIMS EXPENSES without the prior written consent of the Company.

II. INSURED'S DUTIES SUBSEQUENT TO A CLAIM

- A. All INSUREDS shall cooperate with the Company in the defense, investigation and settlement of any CLAIM. Upon the Company's request, the INSURED shall submit to examination or questioning, attend hearings, depositions and trials and assist in effecting settlements, securing and giving evidence and obtaining the attendance of witnesses in the defense of CLAIMS.
- B. All INSUREDS shall assist the Company in effecting any rights of indemnity, contribution or apportionment available to any INSURED or the Company.

III. LIBERALIAZTION

If, during the POLICY PERIOD, the Company adopts revised provisions for this policy form in order to afford, without additional premium, broader insurance to the types of professional covered by this policy, such provisions will apply to this policy effective the provision has been approved by the appropriate regulatory authority and such revision shall apply only to CLAIMS first made, or potential CLAIMS of which the INSURED first became aware, after the date of such approval.

IV. EXTENDED REPORTING PERIOD

If the Company or the NAMED INSURED cancels or non-renews this policy, the NAMED INSURED shall have the right to extend the time for reporting CLAIMS made against any INSURED per the following schedule. The additional premium for the Extended Reporting Period shall be:

- 12 months for 100% of the policy's annual premium;
- 24 months for 150% of the policy's annual premium;
- 36 months for 185% of the policy's annual premium;
- 60 months for 250% of the policy's annual premium.

If the NAMED INSURED is a sole proprietor and shall cancel or fail to renew the policy due to his or her retirement from active practice as an accountant, and has been continuously insured with Philadelphia Insurance Companies for a minimum of three years, the NAMED INSURED shall also have the right to extend the time for reporting CLAIMS made against any INSURED to an unlimited period for 300% of the policy's annual premium. If the NAMED INSURED is a sole proprietor, and been continuously insured with Philadelphia Insurance Companies for a minimum of three years, in the event of his or her death total permanent disability, the Company will waive the premium required for the unlimited period.

If any Extended Reporting Period option is exercised, the coverage shall apply only to CLAIMS otherwise covered by this policy which are first made against any INSURED and reported to the Company in writing during the Extended Reporting Period. Coverage for CLAIMS first made and reported during the Extended Reporting Period applies only to CLAIMS for acts, errors or omissions which took place prior to the end of the POLICY PERIOD and on or after the RETROACTIVE DATE, if any.

This right to purchase the Extended Reporting Endorsement is subject to the following conditions:

- A. This Policy was canceled or non-renewed for reasons other than non-payment of premium.
- B. Any deductible amounts due the Company must be paid by the NAMED INSURED.
- C. The NAMED INSURED must send written notice to the Company of the intention to purchase the Extended Reporting Endorsement accompanied by the additional premium. Written notice and premium payments must be received by the Company within sixty (60) days after the termination date of the POLICY PERIOD.
- D. The Extended Reporting Period is subject to the aggregate limit of liability state in Item C. of the Declarations, and the aggregate limit of liability shall be reduced by payment by the Company of any CLAIMS EXPENSES and DAMAGES for all claims first made against any INSUREDS during the POLICY PERIOD and the Extended Reporting Period.
- E. This option to extend the reporting period does not extend the POLICY PERIOD.

F. Premium for this option is fully earned when payment is made.

V. SUBROGATION

In the event of payment by the Company under this policy, the Company shall be subrogated to all INSURED'S rights of recovery against any person or organization. All INSUEDS shall cooperate with Company and do whatever is necessary to secure such rights and shall do nothing to prejudice such rights.

VI. CHANGES

The terms of this policy can not be waived or changed except by endorsement issued to form a part of this policy.

VII. ASSIGNMENT

Assignment of interest under this policy shall not bind the Company unless its consent is endorsed hereon.

VIII. CANCELLATION

This policy may be canceled by the NAMED INSURED by surrender thereof to the Company or by mailing to the Company written notice stating when thereafter such cancellation shall be effective. If this policy is canceled by the NAMED INSURED, the Company may retain a proportion of the premium greater than pro rata.

This policy may be canceled by the Company by mailing to the NAMED INSURED at the address stated in the Declarations written notice stating when, not less than thirty (30) days thereafter, such cancellation shall be effective, but this policy may be canceled as aforesaid by not less than ten (10) days notice when the cancellation is due to the NAMES INSURED'S nonpayment of premium. The mailing of notice as aforementioned shall be sufficient notice and the effective date of cancellation stated in the notice shall become the end of the POLICY PERIOD. If the Company cancels, earned premium shall be computed pro rata.

Delivery of written notice by the Company shall be equivalent to mailing. Premium adjustment may be made at the time cancellation is effected or as soon as practicable thereafter.

IX. OTHER INSURANCE

If there is other insurance applicable to a CLAIM covered by this policy, this policy shall be deemed excess insurance over and above the applicable limits of liability of all such other insurance unless such other insurance is written only as specific excess insurance over the limits of liability provided in this policy.

X. ACTION AGAINST THE COMPANY

No action shall lie against the Company unless, as a condition precedent thereto, all INSUREDS shall have fully complied with all the terms of this policy, nor until the amount of the INSUREDS' obligations to pay shall have been finally determined either by judgement against the INSUREDS after and contested trial on the merits or by written agreement of the NAMED INSURED, the claimant and the Company.

Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this policy to the extent of the insurance afforded by this policy.

Nothing contained in this policy shall give any person or organization any right to join the Company as a codefendant in any action against any INSURED to determine any INSURED'S liability.

XI. ENTIRE AGREEMENT

By acceptance of this policy, all INSUREDS reaffirm as of the effective date of this policy that (a) the statements in the application including all information communicated by the INSURED to the Company, attached hereto and made a part hereof, are all INSUREDS' agreements and representations, (b) this policy is issued in reliance upon the truth and accuracy of such representations and (c) this policy embodies all agreements between all INSUREDS and the Company.

This policy is not valid unless completed by the attachment of the Declarations signed by an authorized representative of the Company.