APPLICATION FOR A COMMERCIAL CRIME POLICY FOR GOVERNMENT ENTITIES

INSTRUCTIONS:
1. This Application must be completed in full, including all required attachments.
2. This Application and all attachments shall be deemed attached to and part of the policy, if issued.

THE FOLLOWING MATERIAL MUST BE ATTACHED TO THIS APPLICATION, IF APPLICABLE:
1. Copy of the most recent External Auditor’s Letter to Management on internal controls including Management’s response.
2. Copy of the Internal Auditors Audit Plan for the current year.
3. For private entities and non-profit entities, copy of the most recent audited financial statements with notes. If not consolidated, please provide financial statements on each consolidated entity.
4. With respect to any Joint Venture or Partnership for which the Applicant requests coverage, please attach the following information:
   a. country of domicile and date established;
   b. percentage of Applicant’s ownership;
   c. description of its operations; and
   d. identify the Applicant’s responsibilities in the Joint Venture and/or Partnership, including such participation status as the General Partner, Managing Partner, investor, etc.

Please submit this completed proposal application with all attachments to:
Zurich American Insurance Company

If you want to learn more about the compensation Zurich pays agents and brokers visit: http://www.zurichnaproducercompensation.com or call the following toll-free number: (866) 903-1192.
This Notice is provided on behalf of Zurich American Insurance Company and its underwriting subsidiaries.
I. GENERAL INFORMATION:

1. Applicant (List all insureds, including Employee Benefit Plans you sponsor that are subject to ERISA): CLEVELAND COUNTY
   Mailing Address: PO BOX 1210
   City: SHELBY State: NC Zip: 28151
   Year Established:
   Website: WWW.CLEVELANDCOUNTY.COM
   E-mail Address: KIM.LESTER@CLEVELANDCOUNTY.COM

2. Insured Address (Please do not enter a P.O. Box): 311 E MARION ST
   City: SHELBY State: NC Zip: 28150

3. Policy Period Requested: 12:01 a.m. on Date1 to 12:01a.m. on Date2

4. Premium Payable: X Annual □ Three year prepaid □ Three year in equal annual installments

5. Direct Bill □ Agency Bill □

II. APPLICANT PROFILE

1. Applicant is a: □ State X□County □City □Town
   □ Township □ Village □ Borough
   □ Other _____________________________

2. For Policies with Credit, Debit, or Charge Card Forgery coverage only: Number of Covered Cardholders 100

3. Is insurance being provided for a school system? □ Yes X□No

4. Is Faithful Performance of Duty coverage, as prescribed by law or you constitution and by-laws requested? □ Yes X□No

5. Does this insurance indemnify an Obligee other than the Applicant? □ Yes X□No
   If “Yes”, list the name(s) and address of the obligee:

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<tr>
<th>Name</th>
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</table>
### III. COVERAGES REQUESTED:

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Coverage Description</th>
<th>Limit of Insurance</th>
<th>Deductible Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreement 1 – Employee Theft – Per Loss</td>
<td>$200,000</td>
<td>$2,000</td>
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<td></td>
<td>Add Faithful Performance of Duty Coverage</td>
<td>$0</td>
<td>N/A</td>
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<tr>
<td>Agreement 2 – Employee Theft – Per Employee</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td></td>
<td>Add Faithful Performance of Duty Coverage</td>
<td>$0</td>
<td>N/A</td>
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<tr>
<td>Agreement 3 – Forgery or Alteration</td>
<td>$0</td>
<td>$0</td>
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<td>Agreement 4 - Inside The Premises – Theft of Money &amp; Securities</td>
<td>$0</td>
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<td>X[ ] Blanket □ Schedule</td>
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<td>Agreement 5 – Inside The Premises – Robbery or Safe Burglary of Other Property</td>
<td>$50,000</td>
<td>$500</td>
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<td>X[ ] Blanket □ Schedule</td>
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<tr>
<td>Agreement 6 – Outside The Premises – Theft of Money &amp; Securities and Robbery of Other Property</td>
<td>$50,000</td>
<td>$500</td>
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<td>X[ ] Blanket □ Schedule</td>
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<tr>
<td>Agreement 7 – Computer Fraud and Funds Transfer Fraud</td>
<td>$0</td>
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<td>Agreement 8 – Money Orders and Counterfeit Paper Currency</td>
<td>$0</td>
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Other Coverages/Endorsements

<table>
<thead>
<tr>
<th>Limit of Insurance</th>
<th>Deductible Amount</th>
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IV. RATING INFORMATION

1. Number of employees consisting of:
   a. Officials/officers (other than noncompensated officers) not required by law to be individually bonded who are authorized to manage, govern or control your employees:
   b. Officials/officers (other than noncompensated officials/officers) required by law to be bonded (but where blanket coverage satisfies the bond requirement) who are authorized to manage, govern or control your employees:
   c. Full- and part-time employees who handle, have custody or maintain records of money, securities or other property; also include:
      (1) Department and division heads and assistant department and division heads; and
      (2) Peace officers (including patrolmen/women) only when Faithful Performance Of Duty Coverage is being written (otherwise, include these persons in item l. below):
   d. Officials, trustees, officers, employees, administrators and managers (other than independent contractors) not included in a. – c. above who handle funds or other property of employee benefit plans:
   e. Leased employees and former employees hired as consultants:
   f. Natural persons, whether or not compensated, while performing services as chairpersons or members of committees:
   g. Treasurers or tax collectors by whatever name known (if not required to be individually bonded):
   h. Noncompensated officers:
      i. Volunteer workers who do not solicit funds:
      j. Volunteer workers who solicit funds:
   k. If insured is a school system, students who handle property or funds in connection with sanctioned student activities:
   l. All others not included in a. – k. above
   k. Total (Items a. – l. above):

2. Number of premises (other than the head office) located in the United States of America (including its territories and possessions), Puerto Rico:

V. AUDIT PROCEDURES: If a question is answered "No", explain what alternate control is in effect. Attach a separate sheet with explanations.

1. Is there an annual audit conducted by an independent CPA? X Yes □ No
   a. If "Yes": Is it a complete audit made in accordance with generally accepted auditing standards and so certified? YES
   b. If "Yes:" Are all locations and subsidiaries included in the audit? X Yes □ No

2. Is there a CPA Management Letter and response by management on internal control weaknesses or recommendations for improvement? □ Yes X □ No
   a. If "Yes", please attach Management Letter and response.
   b. If "Yes", have all recommendations made by the accountant been implemented?
3. Is there an Internal Audit Department that is responsible for the review of all business operations?
   a. If "Yes", how many employees are in the Internal Audit Department: 1- EMPLOYEE

4. If weaknesses are discovered by the internal auditor, are they reported directly to the owner, partners, members (if LLC) or Board of Directors? FINANCE DIRECTOR

VI. INTERNAL CONTROLS: If a question is answered “No”, explain what alternate control is in effect. Attach a separate sheet with explanations.

1. Are all Internal Controls and informational systems consistent among domestic and foreign locations? ☐ Yes ☐ No N/A

   Human Resources And Payroll

2. Does pre-employment screening performed on all prospective employees both domestically and internationally include the following:
   a. Background check for criminal activity? ☒ Yes ☐ No
   b. Credit history? ☐ Yes ☒ No
   c. Drug testing? ☒ Yes ☐ No
   d. Education and training verification? ☒ Yes ☐ No
   e. Reference checks with prior employers? ☒ Yes ☐ No
   f. Other (please explain):

3. Are controls in place to prevent persons who approve new hires from adding them to the payroll? ☒ Yes ☐ No

4. Are additions or changes to the payroll system for new or existing employees automatically reported to a Human Resources manager (or equivalent person) for verification? ☒ Yes ☐ No

5. Does the Audit Department have a program in place to detect possible ghost employees? ☒ Yes ☐ No

   Bank Accounts

6. Are bank accounts reconciled at least monthly? ☒ Yes ☐ No

7. Are bank accounts reconciled by someone not authorized to deposit or withdraw? ☒ Yes ☐ No

   Accounts Payable

8. Is countersignature of all checks required? ☒ Yes ☐ No
   a. If "Yes", above what amount? $ ALL AMOUNTS
   b. If "No", who has check signing authority:

9. Do all vouchers or other supporting records accompany all checks to be signed? ☒ Yes ☐ No

10. Are vouchers/supporting records stamped "Paid" at the time checks are issued? ☒ Yes ☐ No

11. Are internal controls designed so that no employee can control any transaction from beginning to end (e.g., approve a voucher, request and sign a check)? ☒ Yes ☐ No
12. Are disbursement functions separated from those who have cash receipt or cash refund duties?  
   X ☐ Yes ☐ No  

**Accounts Receivable**  
13. Are all incoming checks stamped "For Deposit Only" upon receipt? X ☐ Yes ☐ No  
14. Are at least 20% of accounts receivable periodically verified by contact with the customer?  
   X ☐ Yes ☐ No  

**Purchasing And Receiving**  
15. Are employees engaged in purchasing or sales activities prohibited from taking part in shipping and receiving activities? X ☐ Yes ☐ No  
16. Are all receiving activities reconciled to applicable sale or purchase activities? X ☐ Yes ☐ No  
17. Does any employee have access to both the purchasing system and the accounts payable system? ☐ Yes X ☐ No  
18. Do you have a program in place to detect payment to fictitious suppliers? X ☐ Yes ☐ No  

**VII. VENDOR CONTROLS**  
1. Is an authorized vendor list utilized and updated annually? X ☐ Yes ☐ No  
2. Are background checks performed on vendors in order to determine ownership and financial capability? ☐ Yes X ☐ No  
3. Is competitive bidding required for all purchases above stated amounts? X ☐ Yes ☐ No  
4. Is the responsibility for authorizing vendors, approving invoices and processing payments segregated among different employees? X ☐ Yes ☐ No  
5. Are requisitions and purchase orders issued only after the approval of specified employees within specified limits? X ☐ Yes ☐ No  

**VIII. COMPUTER AND FUNDS TRANSFER CONTROLS**  
1. Are there controls in place so that employees cannot gain access to programs and files for which they have not been granted authorized access? X ☐ Yes ☐ No  
2. Is an intrusion detection system utilized and are all patches up to date? X ☐ Yes ☐ No  
3. Are computer access controls in place that include the following:  
   a. Passwords that are alphanumeric and changed at regular intervals by all users?  
      X ☐ Yes ☐ No  
   b. Revocation of user IDs upon separation of employment? X ☐ Yes ☐ No  
4. Are transactions, including the buying and selling of goods and services, performed via the Internet? X ☐ Yes ☐ No  
   a. If "Yes", do you have a firewall and are all security patches up to date? X ☐ Yes ☐ No  
5. Is the authority to initiate and approve a wire transfer separated between employees?  
   X ☐ Yes ☐ No  
6. Are wire transfers reconciled daily by an employee not involved in approving or initiating the wire transfer? X ☐ Yes ☐ No  

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7. Have approval authorities been established in writing and are they up to date? X Yes □ No

8. Are wire transfer controls and procedures consistent among domestic and foreign locations? X Yes □ No

IX. MONEY SECURITIES

ENTER THE EXPOSURES FOR EACH CATEGORY. AMOUNTS ENTERED SHOULD BE MAXIMUM EXPOSURE

<table>
<thead>
<tr>
<th>TYPE</th>
<th>MONEY</th>
<th>CHECKS FOR DEPOSIT</th>
<th>CHECKS FOR ACCOUNTS PAYABLE</th>
<th>PAYROLL CHECKS</th>
<th>MONEY OVERNIGHT</th>
<th>SECURITIES (IN BANK/SAFE DEPOSIT BOX)</th>
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<tbody>
<tr>
<td>INSIDE</td>
<td>$10,000</td>
<td>$4,000</td>
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<td>$ DIRECT DEP</td>
<td>$2500</td>
<td>$50,000</td>
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<td>MESSENGER #1</td>
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<td>MESSENGER #2</td>
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PROPERTY

DESCRIPTION OF PROPERTY, MERCHANDISE, STOCK, ETC.  MAXIMUM VALUE

GENERAL INFORMATION

<table>
<thead>
<tr>
<th>BUSINESS HOURS</th>
<th>AVG # EMPLOYEES ON DUTY</th>
<th>CHECKS STAMPED FOR DEPOSIT ONLY</th>
<th>FREQUENCY OF DEPOSITS</th>
<th>NIGHT DEPOSITOR Y USED</th>
<th>ANNUAL GROSS SALES OR RECEIPTS FOR LAST FISCAL YEAR</th>
<th>DOOR PREMISES HAVE DOUBLE CYLINDER DOOR LOCKS</th>
<th>OTHER INFORMATION</th>
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<td>124,217,660</td>
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MESSENGER PROTECTION

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<th>MESSENGER #</th>
<th># OF GUARDS PER MESSENGER</th>
<th>USE PRIVATE CONVEYANCE ?</th>
<th>SAFETY SATCHEL USED?</th>
<th>MESSENGER #</th>
<th># OF GUARDS PER MESSENGER</th>
<th>USE PRIVATE CONVEYANCE ?</th>
<th>SAFETY SATCHEL USED?</th>
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<td>□ YES □ NO</td>
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<td>□ YES □ NO</td>
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X. PRIOR INSURANCE

1. Note: Question 1 is not applicable in Missouri. Has any insurance, similar to the kinds requested in this application, been declined or cancelled during the past three years? □ Yes X □ No
a. If “Yes”, please explain:

2. Will this policy supplement a special multi-peril or other package policy? ☐ Yes ☑ No
   If “Yes”, list the following:
   a. Insurer:
   b. Effective date:
   c. Policy Number:

XII. LOSS HISTORY

1. List all losses sustained during the past three years, whether reimbursed or not, from
   a. Check if none ☑
   b. Briefly describe each loss and explain corrective measures on as separate sheet.

<table>
<thead>
<tr>
<th>Date of Loss</th>
<th>Amount of Loss</th>
<th>Amount Recovered from Insurance</th>
<th>Amount of Loss Pending</th>
<th>Amount Recovered from other than Insurance</th>
<th>Type of Loss</th>
<th>If Loss occurs at other than Head Office, state location</th>
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It is understood and agreed that the first premium upon the Policy applied for, and subsequent premiums thereon, are due at the beginning of each premium period, that the Company is entitled to additional premiums because of any unusual increase in the number of Employees or Premises and that the Applicant agrees to pay all such premiums promptly. The Employees of the Applicant have all, to the best of the Applicant’s knowledge and belief, while in the service of the Applicant always performed their respective duties honestly. There has never come to its notice or knowledge any information, which in the judgment of the Applicant indicates that any of the said Employees are dishonest. Such knowledge as any officer signing for the Applicant may now have in respect to his own personal acts or conduct, unknown to the Applicant, is not imputable to the Applicant.

**Person Authorized To Complete This Application For the Insured (Applicant):**

Name (Print): R LUCAS JACKSON

Signature:

Title: ASSISTANT FINANCE DIRECTOR

Date: 6/5/19

Producer Information (Required in Florida, Iowa and New Hampshire):