

MARIN SOFTWARE INC
Form 8-K
February 14, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 9, 2017

Marin Software Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction

of incorporation)

123 Mission Street, 27th Floor

001-35838
(Commission

File Number)

20-4647180
(IRS Employer

Identification No.)

94105

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San Francisco, California 94105
(Address of principal executive offices)
(415) 399-2580

(Zip Code)

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(b) On February 9, 2017, Paul Auvil notified the Board of Directors (the Board) of Marin Software Incorporated (the Company) that he will not stand for re-election when his current term as a director expires at the 2017 Annual Meeting of Stockholders (the Annual Meeting). Mr. Auvil s decision is not a result of any disagreement with the Company. In addition, on February 13, 2017, Bruce Dunlevie notified the Board that he is resigning from the Board effective immediately. Mr. Dunlevie s decision is not a result of any disagreement with the Company.

In connection with Mr. Dunlevie s resignation, the Board approved a reduction in the authorized number of directors of the Board from eight to seven. Furthermore, in connection with Mr. Auvil s decision not to stand for re-election, the Board approved a reduction in the authorized number of directors of the Board from seven to six to become effective upon the conclusion of Mr. Auvil s term as a director.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Marin Software Incorporated

Date: February 14, 2017

By: /s/ Stephen E. Kim
Stephen E. Kim

Executive Vice President, General Counsel,
Corporate Secretary

agreement with the ASSURED for VOICE INITIATED FUNDS TRANSFER INSTRUCTION. e. EMPLOYEE means: (1) an officer of the ASSURED, (2) a natural person while in the regular service of the ASSURED at any of the ASSURED'S premises and compensated directly by the ASSURED through its payroll system and subject to the United States Internal Revenue Service Form W-2 or equivalent income reporting plans of other countries, and whom the ASSURED has the right to control and direct both as to the result to be accomplished and details and means by which such result is accomplished in the performance of such service, (3) a guest student pursuing studies or performing duties in any of the ASSURED'S premises, (4) an attorney retained by the ASSURED and an employee of such attorney while either is performing legal services for the ASSURED, (5) a natural person provided by an employment contractor to perform employee duties for the ASSURED under the ASSURED'S supervision at any of the ASSURED'S premises, (6) an employee of an institution merged or consolidated with the ASSURED prior to the effective date of this Bond, (7) a director or trustee of the ASSURED, but only while performing acts within the scope of the customary and usual duties of any officer or other employee of the ASSURED or while acting as a member of any committee duly elected or appointed to examine or audit or have custody of or access to PROPERTY of the ASSURED, or ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 8 of 19

----- CONDITIONS AND LIMITATIONS

DEFINITIONS (8) each natural person, partnership or corporation authorized by written (CONTINUED) agreement with the ASSURED to perform services as electronic data processor of checks or other accounting records related to such checks but only while such person, partnership or corporation is actually performing such services and not: a. creating, preparing, modifying or maintaining the ASSURED'S computer software or programs, or b. acting as transfer agent or in any other agency capacity in issuing checks, drafts or securities for the ASSURED, (9) any partner, officer or employee of an investment advisor, an underwriter (distributor), a transfer agent or shareholder accounting recordkeeper, or an administrator, for an INVESTMENT COMPANY while performing acts coming within the scope of the customary and usual duties of an officer or employee of an INVESTMENT COMPANY or acting as a member of any committee duly elected or appointed to examine, audit or have custody of or access to PROPERTY of AN INVESTMENT COMPANY. The term EMPLOYEE shall not include any partner, officer or employee of a transfer agent, shareholder accounting recordkeeper or administrator: a. which is not an "affiliated person" (as defined in Section 2(a) of the Investment Company Act of 1940) of an INVESTMENT COMPANY or of the investment advisor or underwriter (distributor) of such INVESTMENT COMPANY, or b. which is a "bank" (as defined in Section 2(a) of the Investment Company Act of 1940). This Bond does not afford coverage in favor of the employers of persons as set forth in e. (4), (5) and (8) above, and upon payment to the ASSURED by the COMPANY resulting directly from LARCENY OR EMBEZZLEMENT committed by any of the partners, officers or employees of such employers, whether acting alone or in collusion with others, an assignment of such of the ASSURED'S rights and causes of action as it may have against such employers by reason of such acts so committed shall, to the extent of such payment, be given by the ASSURED to the COMPANY, and the ASSURED shall execute all papers necessary to secure to the COMPANY the rights provided for herein. Each employer of persons as set forth in e.(4), (5) and (8) above and the partners, officers and other employees of such employers shall collectively be deemed to be one person

for all the purposes of this Bond; excepting, however, the fifth paragraph of Section 13. Independent contractors not specified in e.(4), (5) or (8) above, intermediaries, agents, brokers or other representatives of the same general character shall not be considered EMPLOYEES. ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 9 of 19

----- CONDITIONS AND LIMITATIONS

DEFINITIONS f. FORGERY means the signing of the name of another natural person with the (CONTINUED) intent to deceive but does not mean a signature which consists in whole or in part of one's own name, with or without authority, in any capacity for any purpose. g. INVESTMENT COMPANY means any investment company registered under the Investment Company Act of 1940 and listed under the NAME OF ASSURED on the DECLARATIONS. h. ITEMS OF DEPOSIT means one or more checks or drafts drawn upon a financial institution in the United States of America. i. LARCENY OR EMBEZZLEMENT means larceny or embezzlement as defined in Section 37 of the Investment Company Act of 1940. j. PROPERTY means money, revenue and other stamps; securities; including any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of deposit, certificate of interest or participation in any profit-sharing agreement, collateral trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any interest or instruments commonly known as a security under the Investment Company Act of 1940, any other certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase any of the foregoing; bills of exchange; acceptances; checks; withdrawal orders; money orders; travelers' letters of credit; bills of lading; abstracts of title; insurance policies, deeds, mortgages on real estate and/or upon chattels and interests therein; assignments of such policies, deeds or mortgages; other valuable papers, including books of accounts and other records used by the ASSURED in the conduct of its business (but excluding all electronic data processing records); and, all other instruments similar to or in the nature of the foregoing in which the ASSURED acquired an interest at the time of the ASSURED'S consolidation or merger with, or purchase of the principal assets of, a predecessor or which are held by the ASSURED for any purpose or in any capacity and whether so held gratuitously or not and whether or not the ASSURED is liable therefor. k. RELATIVE means the spouse of an EMPLOYEE or partner of the ASSURED and any unmarried child supported wholly by, or living in the home of, such EMPLOYEE or partner and being related to them by blood, marriage or legal guardianship. l. SECURITIES, DOCUMENTS OR OTHER WRITTEN INSTRUMENTS means original (including original counterparts) negotiable or non-negotiable instruments, or assignments thereof, which in and of themselves represent an equitable interest, ownership, or debt and which are in the ordinary course of business transferable by delivery of such instruments with any necessary endorsements or assignments. ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 10 of 19

----- CONDITIONS AND LIMITATIONS

DEFINITIONS m. SUBSIDIARY means any organization that, at the inception date of this Bond, (CONTINUED) is named in the APPLICATION or is created during the BOND PERIOD and of which more than fifty percent (50%) of the outstanding securities or voting rights representing the present right to vote for election of directors is owned or controlled by the ASSURED either directly or through one or more of its subsidiaries. n. TRANSPORTATION COMPANY means any organization which provides its own or its leased vehicles for transportation or which provides freight forwarding or air express services. o. VOICE INITIATED ELECTION means any election concerning dividend options available to INVESTMENT COMPANY shareholders or subscribers which is requested by voice over the telephone. p. VOICE INITIATED REDEMPTION means any redemption of shares issued by an INVESTMENT COMPANY which is requested by voice over the telephone. q. VOICE INITIATED FUNDS TRANSFER INSTRUCTION means any VOICE INITIATED REDEMPTION or VOICE INITIATED ELECTION. For the purposes of these definitions, the singular includes the plural and the plural includes the singular, unless otherwise indicated. GENERAL EXCLUSIONS - 2. THIS BOND DOES NOT DIRECTLY OR INDIRECTLY COVER: APPLICABLE TO ALL INSURING a. loss not reported to the COMPANY in writing within sixty (60) days after CLAUSES termination of this Bond as an entirety; b. loss due to riot or civil commotion outside the United States of America and Canada, or any loss due to military, naval or usurped power, war or insurrection. This Section 2.b., however, shall not apply to loss which occurs in transit in the circumstances recited in INSURING CLAUSE 3., provided that when such transit was initiated there was no knowledge on the part of any person acting for the ASSURED of such riot, civil commotion, military, naval or usurped power, war or insurrection; c. loss resulting from the effects of nuclear fission or fusion or radioactivity; d. loss of potential income including, but not limited to,

interest and dividends not realized by the ASSURED or by any customer of the ASSURED; e. damages of any type for which the ASSURED is legally liable, except compensatory damages, but not multiples thereof, arising from a loss covered under this Bond; f. costs, fees and expenses incurred by the ASSURED in establishing the existence of or amount of loss under this Bond, except to the extent covered under INSURING CLAUSE 11.; g. loss resulting from indirect or consequential loss of any nature; ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 11 of 19

----- CONDITIONS AND LIMITATIONS GENERAL
EXCLUSIONS - h. loss resulting from dishonest acts by any member of the Board of Directors APPLICABLE TO ALL INSURING or Board of Trustees of the ASSURED who is not an EMPLOYEE, acting CLAUSES alone or in collusion with others; (CONTINUED) i. loss, or that part of any loss, resulting solely from any violation by the ASSURED or by any EMPLOYEE: (1) of any law regulating: a. the issuance, purchase or sale of securities, b. securities transactions on security or commodity exchanges or the over the counter market, c. investment companies, d. investment advisors, or (2) of any rule or regulation made pursuant to any such law; or j. loss of confidential information, material or data; k. loss resulting from voice requests or instructions received over the telephone, provided however, this Section 2.k. shall not apply to INSURING CLAUSE 7. or 9. SPECIFIC EXCLUSIONS - 3. THIS BOND DOES NOT DIRECTLY OR INDIRECTLY COVER: APPLICABLE TO ALL INSURING a. loss caused by an EMPLOYEE, provided, however, this Section 3.a. shall not CLAUSES EXCEPT INSURING apply to loss covered under INSURING CLAUSE 2. or 3. which results CLAUSE 1. directly from misplacement, mysterious unexplainable disappearance, or damage or destruction of PROPERTY; b. loss through the surrender of property away from premises of the ASSURED as a result of a threat: (1) to do bodily harm to any natural person, except loss of PROPERTY in transit in the custody of any person acting as messenger of the ASSURED, provided that when such transit was initiated there was no knowledge by the ASSURED of any such threat, and provided further that this Section 3.b. shall not apply to INSURING CLAUSE 7., or (2) to do damage to the premises or PROPERTY of the ASSURED; c. loss resulting from payments made or withdrawals from any account involving erroneous credits to such account; d. loss involving ITEMS OF DEPOSIT which are not finally paid for any reason provided however, that this Section 3.d. shall not apply to INSURING CLAUSE 10.; e. loss of property while in the mail; ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 12 of 19 -----

CONDITIONS AND LIMITATIONS SPECIFIC EXCLUSIONS - f. loss resulting from the failure for any reason of a financial or depository APPLICABLE TO ALL INSURING institution, its receiver or other liquidator to pay or deliver funds or other CLAUSES EXCEPT INSURING PROPERTY to the ASSURED provided further that this Section 3.f. shall not CLAUSE 1. apply to loss of PROPERTY resulting directly from robbery, burglary, (CONTINUED) misplacement, mysterious unexplainable disappearance, damage, destruction or removal from the possession, custody or control of the ASSURED. g. loss of PROPERTY while in the custody of a TRANSPORTATION COMPANY, provided however, that this Section 3.g. shall not apply to INSURING CLAUSE 3.; h. loss resulting from entries or changes made by a natural person with authorized access to a COMPUTER SYSTEM who acts in good faith on instructions, unless such instructions are given to that person by a software contractor or its partner, officer, or employee authorized by the ASSURED to design, develop, prepare, supply, service, write or implement programs for the ASSURED's COMPUTER SYSTEM; or i. loss resulting directly or indirectly from the input of data into a COMPUTER SYSTEM terminal, either on the premises of the customer of the ASSURED or under the control of such a customer, by a customer or other person who had authorized access to the customer's authentication mechanism. SPECIFIC EXCLUSIONS - 4. THIS BOND DOES NOT DIRECTLY OR INDIRECTLY COVER: APPLICABLE TO ALL INSURING a. loss resulting from the complete or partial non-payment of or default on any CLAUSES EXCEPT INSURING loan whether such loan was procured in good faith or through trick, artifice, CLAUSES 1., 4., AND 5. fraud or false pretenses; provided, however, this Section 4.a. shall not apply to INSURING CLAUSE 8.; b. loss resulting from forgery or any alteration; c. loss involving a counterfeit provided, however, this Section 4.c. shall not apply to INSURING CLAUSE 5. or 6. LIMIT OF LIABILITY/NON- 5. At all times prior to termination of this Bond, this Bond shall continue in force for REDUCTION AND NON- the limit stated in the applicable sections of ITEM 2. of the DECLARATIONS, ACCUMULATION OF LIABILITY notwithstanding any previous loss for which the COMPANY may have paid or be liable to pay under this Bond provided, however, that the liability of the COMPANY under this Bond with respect to all loss resulting from: a. any one act of burglary, robbery or hold-up, or attempt thereat, in which no EMPLOYEE is concerned or implicated, or b. any one unintentional or negligent act on the part of any one person resulting in

damage to or destruction or misplacement of PROPERTY, or c. all acts, other than those specified in a. above, of any one person, or ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 13 of 19

----- CONDITIONS AND LIMITATIONS LIMIT OF LIABILITY/NON- d. any one casualty or event other than those specified in a., b., or c. above, REDUCTION AND NON- shall be deemed to be one loss and shall be limited to the applicable LIMIT OF ACCUMULATION OF LIABILITY LIABILITY stated in ITEM 2. of the DECLARATIONS of this Bond irrespective of (CONTINUED) the total amount of such loss or losses and shall not be cumulative in amounts from year to year or from period to period. All acts, as specified in c. above, of any one person which i. directly or indirectly aid in any way wrongful acts of any other person or persons, or ii. permit the continuation of wrongful acts of any other person or persons whether such acts are committed with or without the knowledge of the wrongful acts of the person so aided, and whether such acts are committed with or without the intent to aid such other person, shall be deemed to be one loss with the wrongful acts of all persons so aided. DISCOVERY 6. This Bond applies only to loss first discovered by an officer of the ASSURED during the BOND PERIOD. Discovery occurs at the earlier of an officer of the ASSURED being aware of: a. facts which may subsequently result in a loss of a type covered by this Bond, or b. an actual or potential claim in which it is alleged that the ASSURED is liable to a third party, regardless of when the act or acts causing or contributing to such loss occurred, even though the amount of loss does not exceed the applicable DEDUCTIBLE AMOUNT, or the exact amount or details of loss may not then be known. NOTICE TO COMPANY - 7. a. The ASSURED shall give the COMPANY notice thereof at the earliest PROOF - LEGAL PROCEEDINGS practicable moment, not to exceed sixty (60) days after discovery of loss, in AGAINST COMPANY an amount that is in excess of 50% of the applicable DEDUCTIBLE AMOUNT, as stated in ITEM 2. of the DECLARATIONS. b. The ASSURED shall furnish to the COMPANY proof of loss, duly sworn to, with full particulars within six (6) months after such discovery. c. Securities listed in a proof of loss shall be identified by certificate or bond numbers, if issued with them. d. Legal proceedings for the recovery of any loss under this Bond shall not be brought prior to the expiration of sixty (60) days after the proof of loss is filed with the COMPANY or after the expiration of twenty-four (24) months from the discovery of such loss. e. This Bond affords coverage only in favor of the ASSURED. No claim, suit, action or legal proceedings shall be brought under this Bond by anyone other than the ASSURED. ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 14 of 19 CONDITIONS AND LIMITATIONS NOTICE TO COMPANY - f. Proof of loss involving VOICE INITIATED FUNDS TRANSFER INSTRUCTION shall PROOF - LEGAL PROCEEDINGS include electronic recordings of such instructions. AGAINST COMPANY (CONTINUED) DEDUCTIBLE AMOUNT 8. The COMPANY shall not be liable under any INSURING CLAUSES of this Bond on account of loss unless the amount of such loss, after deducting the net amount of all reimbursement and/or recovery obtained or made by the ASSURED, other than from any Bond or policy of insurance issued by an insurance company and covering such loss, or by the COMPANY on account thereof prior to payment by the COMPANY of such loss, shall exceed the DEDUCTIBLE AMOUNT set forth in ITEM 3. of the DECLARATIONS, and then for such excess only, but in no event for more than the applicable LIMITS OF LIABILITY stated in ITEM 2. of the DECLARATIONS. There shall be no deductible applicable to any loss under INSURING CLAUSE 1. sustained by any INVESTMENT COMPANY. VALUATION 9. BOOKS OF ACCOUNT OR OTHER RECORDS The value of any loss of PROPERTY consisting of books of account or other records used by the ASSURED in the conduct of its business shall be the amount paid by the ASSURED for blank books, blank pages, or other materials which replace the lost books of account or other records, plus the cost of labor paid by the ASSURED for the actual transcription or copying of data to reproduce such books of account or other records. The value of any loss of PROPERTY other than books of account or other records used by the ASSURED in the conduct of its business, for which a claim is made shall be determined by the average market value of such PROPERTY on the business day immediately preceding discovery of such loss provided, however, that the value of any PROPERTY replaced by the ASSURED with the consent of the COMPANY and prior to the settlement of any claim for such PROPERTY shall be the actual market value at the time of replacement. In the case of a loss of interim certificates, warrants, rights or other securities, the production of which is necessary to the exercise of subscription, conversion, redemption or deposit privileges, the value of them shall be the market value of such privileges immediately preceding their expiration if said loss is not discovered until after their expiration. If no market price is quoted for such PROPERTY or for such privileges, the value shall be fixed by agreement between the parties. OTHER PROPERTY The value of any loss of PROPERTY, other than as stated above, shall be the actual cash value or the cost of repairing or replacing such PROPERTY with

PROPERTY of like quality and value, whichever is less. ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 15 of 19 -----

CONDITIONS AND LIMITATIONS
(CONTINUED) SECURITIES SETTLEMENT 10. In the event of a loss of securities covered under this Bond, the COMPANY may, at its sole discretion, purchase replacement securities, tender the value of the securities in money, or issue its indemnity to effect replacement securities. The indemnity required from the ASSURED under the terms of this Section against all loss, cost or expense arising from the replacement of securities by the COMPANY'S indemnity shall be: a. for securities having a value less than or equal to the applicable DEDUCTIBLE AMOUNT - one hundred (100%) percent; b. for securities having a value in excess of the DEDUCTIBLE AMOUNT but within the applicable LIMIT OF LIABILITY - the percentage that the DEDUCTIBLE AMOUNT bears to the value of the securities; c. for securities having a value greater than the applicable LIMIT OF LIABILITY - the percentage that the DEDUCTIBLE AMOUNT and portion in excess of the applicable LIMIT OF LIABILITY bears to the value of the securities. The value referred to in Section 10.a., b., and c. is the value in accordance with Section 9, VALUATION, regardless of the value of such securities at the time the loss under the COMPANY'S indemnity is sustained. The COMPANY is not required to issue its indemnity for any portion of a loss of securities which is not covered by this Bond; however, the COMPANY may do so as a courtesy to the ASSURED and at its sole discretion. The ASSURED shall pay the proportion of the Company's premium charge for the Company's indemnity as set forth in Section 10.a., b., and c. No portion of the LIMIT OF LIABILITY shall be used as payment of premium for any indemnity purchased by the ASSURED to obtain replacement securities. SUBROGATION - ASSIGNMENT - 11. In the event of a payment under this Bond, the COMPANY shall be subrogated to RECOVERY all of the ASSURED'S rights of recovery against any person or entity to the extent of such payment. On request, the ASSURED shall deliver to the COMPANY an assignment of the ASSURED'S rights, title and interest and causes of action against any person or entity to the extent of such payment. Recoveries, whether effected by the COMPANY or by the ASSURED, shall be applied net of the expense of such recovery in the following order: a. first, to the satisfaction of the ASSURED'S loss which would otherwise have been paid but for the fact that it is in excess of the applicable LIMIT OF LIABILITY, b. second, to the COMPANY in satisfaction of amounts paid in settlement of the ASSURED'S claim, c. third, to the ASSURED in satisfaction of the applicable DEDUCTIBLE AMOUNT, and ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 16 of 19 -----

CONDITIONS AND LIMITATIONS
SUBROGATION - ASSIGNMENT - d. fourth, to the ASSURED in satisfaction of any loss suffered by the RECOVERY ASSURED which was not covered under this Bond. (CONTINUED) Recovery from reinsurance or indemnity of the COMPANY shall not be deemed a recovery under this section. COOPERATION OF ASSURED 12. At the COMPANY'S request and at reasonable times and places designated by the COMPANY, the ASSURED shall: a. submit to examination by the COMPANY and subscribe to the same under oath, b. produce for the COMPANY'S examination all pertinent records, and c. cooperate with the COMPANY in all matters pertaining to the loss. The ASSURED shall execute all papers and render assistance to secure to the COMPANY the rights and causes of action provided for under this Bond. The ASSURED shall do nothing after loss to prejudice such rights or causes of action. TERMINATION 13. If the Bond is for a sole ASSURED, it shall not be terminated unless written notice shall have been given by the acting party to the affected party and to the Securities and Exchange Commission, Washington, D.C., not less than sixty (60) days prior to the effective date of such termination. If the Bond is for a joint ASSURED, it shall not be terminated unless written notice shall have been given by the acting party to the affected party, and by the COMPANY to all ASSURED INVESTMENT COMPANIES and to the Securities and Exchange Commission, Washington, D.C., not less than sixty (60) days prior to the effective date of such termination. This Bond will terminate as to any one ASSURED, other than an INVESTMENT COMPANY: a. immediately on the taking over of such ASSURED by a receiver or other liquidator or by State or Federal officials, or b. immediately on the filing of a petition under any State or Federal statute relative to bankruptcy or reorganization of the ASSURED, or assignment for the benefit of creditors of the ASSURED, or c. immediately upon such ASSURED ceasing to exist, whether through merger into another entity, disposition of all of its assets or otherwise. The COMPANY shall refund the unearned premium computed at short rates in accordance with the standard short rate cancellation tables if terminated by the ASSURED or pro rata if terminated for any other reason. ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 17 of 19 -----

CONDITIONS AND LIMITATIONS
TERMINATION If any partner, director, trustee, or officer or supervisory employee of an (CONTINUED) ASSURED not acting in collusion with an EMPLOYEE learns of any dishonest act committed by such EMPLOYEE

at any time, whether in the employment of the ASSURED or otherwise, whether or not such act is of the type covered under this Bond, and whether against the ASSURED or any other person or entity, the ASSURED: a. shall immediately remove such EMPLOYEE from a position that would enable such EMPLOYEE to cause the ASSURED to suffer a loss covered by this Bond; and b. within forty-eight (48) hours of learning that an EMPLOYEE has committed any dishonest act, shall notify the COMPANY, of such action and provide full particulars of such dishonest act. The COMPANY may terminate coverage as respects any EMPLOYEE sixty (60) days after written notice is received by each ASSURED INVESTMENT COMPANY and the Securities and Exchange Commission, Washington, D.C. of its desire to terminate this Bond as to such EMPLOYEE. OTHER INSURANCE 14. Coverage under this Bond shall apply only as excess over any valid and collectible insurance, indemnity or suretyship obtained by or on behalf of: a. the ASSURED, b. a TRANSPORTATION COMPANY, or c. another entity on whose premises the loss occurred or which employed the person causing the loss or engaged the messenger conveying the PROPERTY involved. CONFORMITY 15. If any limitation within this Bond is prohibited by any law controlling this Bond's construction, such limitation shall be deemed to be amended so as to equal the minimum period of limitation provided by such law. CHANGE OR MODIFICATION 16. This Bond or any instrument amending or affecting this Bond may not be changed or modified orally. No change in or modification of this Bond shall be effective except when made by written endorsement to this Bond signed by an authorized representative of the COMPANY. If this Bond is for a sole ASSURED, no change or modification which would adversely affect the rights of the ASSURED shall be effective prior to sixty (60) days after written notice has been furnished to the Securities and Exchange Commission, Washington, D.C., by the acting party. ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 18 of 19

----- CONDITIONS AND LIMITATIONS CHANGE OR MODIFICATION If this Bond is for a joint ASSURED, no change or modification which would (CONTINUED) adversely affect the rights of the ASSURED shall be effective prior to sixty (60) days after written notice has been furnished to all insured INVESTMENT COMPANIES and to the Securities and Exchange Commission, Washington, D.C., by the COMPANY. ICAP Bond (5-98) Form 17-02-1421 (Ed. 5-98) Page 19 of 19

----- ENDORSEMENT/RIDER Effective date of this endorsement/rider: May 15, 2007 FEDERAL INSURANCE COMPANY Endorsement/Rider No. 1 To be attached to and form a part of Bond No. 82052989 Issued to: FLAHERTY & CRUMRINE / PREFERRED INCOME FUND DELETING VALUATION-OTHER PROPERTY AND AMENDING CHANGE OR MODIFICATION ENDORSEMENT In consideration of the premium charged, it is agreed that this Bond is amended as follows: 1. The paragraph titled Other Property in Section 9, Valuation, is deleted in its entirety. 2. The third paragraph in Section 16, Change or Modification, is deleted in its entirety and replaced with the following: If this Bond is for a joint ASSURED, no change or modification which would adversely affect the rights of the ASSURED shall be effective prior to sixty (60) days after written notice has been furnished to all insured INVESTMENT COMPANIES and the Securities and Exchange Commission, Washington, D.C., by the COMPANY. The title and any headings in this endorsement/rider are solely for convenience and form no part of the terms and conditions of coverage. All other terms, conditions and limitations of this Bond shall remain unchanged. /S/ ROBERT HAMBURGER Authorized Representative 17-02-2437 (12/2006) rev. Page 1 Effective date of this endorsement: May 15, 2007 FEDERAL INSURANCE COMPANY Endorsement No.: 2 To be attached to and form a part of Bond Number: 82052989 Issued to: FLAHERTY & CRUMRINE / PREFERRED INCOME FUND COMPLIANCE WITH APPLICABLE TRADE SANCTION LAWS RIDER It is agreed that this insurance does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit the coverage provided by this insurance. ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED. Date: May 14, 2007 /S/ ROBERT HAMBURGER Authorized Representative Form 14-02-9228 (Ed. 4/2004)

----- FEDERAL INSURANCE COMPANY Endorsement No: 3 Bond Number: 82052989 NAME OF ASSURED: FLAHERTY & CRUMRINE / PREFERRED INCOME FUND PREMIUM ENDORSEMENT It is agreed that: 1. The premium for this Bond for the period May 15, 2007 to May 15, 2008 is: Premium: TWO THOUSAND TWO HUNDRED DOLLRS (\$2,200.00) 2. It is further agreed that this premium is subject to change during this period if amendments are made to this Bond at the request of the ASSURED. This Endorsement applies to loss discovered after 12:01 a.m. on May 15, 2007. ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED. Date: May 14, 2007 /S/ ROBERT HAMBURGER Authorized Representative ICAP Bond Form 17-02-0735 (Rev. 1-97)

----- IMPORTANT POLICYHOLDER

INFORMATION Inquiries concerning your policy should be directed to your insurance agent. The name, address and telephone number of your agent, if one is involved, is shown on the policy and/or in the material accompanying the policy. If you require additional information you may contact the California Insurance Department at either the following address or phone number: California Insurance Department 300 South Spring Street Los Angeles, CA 90012 1-800-927-HELP Form 14-02-1495 (Ed. 1/94)

----- IMPORTANT NOTICE

The premium shown on this policy or premium statement may be subject to adjustment in accordance with the provisions of California law recently adopted by ballot initiative. You will be informed about any adjustment as soon as the requirements of the law and their effect on your premium can be determined. Form 99-10-0267 (Ed. 2/98)

----- CHUBB & SON, DIV. OF FEDERAL

INSURANCE COMPANY AS MANAGER OF THE MEMBER INSURERS OF THE CHUBB GROUP OF INSURANCE COMPANIES POLICYHOLDER DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE (FOR POLICIES WITH NO TERRORISM EXCLUSION OR SUBLIMIT) You are hereby notified that, under the Terrorism Risk Insurance Act of 2002 (the "Act") effective November 26, 2002, this policy makes available to you insurance for losses arising out of certain acts of international terrorism. Terrorism is defined as any act certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States Mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. You should know that the insurance provided by your policy for losses caused by acts of terrorism is partially reimbursed by the United States under the formula set forth in the Act. Under this formula, the United States pays 90% of covered terrorism losses that exceed the statutorily established deductible to be paid by the insurance company providing the coverage. The portion of your policy's annual premium that is attributable to insurance for such acts of terrorism is: \$ -0-. If you have any questions about this notice, please contact your agent or broker. Form 10-02-1281 (Ed. 1/2003) IMPORTANT NOTICE: THE SEC REQUIRES PROOF OF YOUR FIDELITY

INSURANCE POLICY Your company is now required to file an electronic copy of your fidelity insurance coverage (Chubb's ICAP Bond policy) to the Securities and Exchange Commission (SEC), according to rules adopted by the SEC on June 12, 2006. Chubb is in the process of providing your agent/broker with an electronic copy of your insurance policy as well as instructions on how to submit this proof of fidelity insurance coverage to the SEC. You can expect to receive this information from your agent/broker shortly. The electronic copy of your policy is provided by Chubb solely as a convenience and does not affect the terms and conditions of coverage as set forth in the paper policy you receive by mail. The terms and conditions of the policy mailed to you, which are the same as those set forth in the electronic copy, constitute the entire agreement between your company and Chubb. If you have any questions, please contact your agent or broker. Form 14-02-12160 (ed. 7/2006)

----- THE FOLLOWING RESOLUTIONS WERE

ADOPTED AT THE APRIL 20, 2007 MEETING OF THE BOARD OF DIRECTORS OF FLAHERTY & CRUMRINE PREFERRED INCOME FUND INCORPORATED AT WHICH A MAJORITY OF DIRECTORS WHO ARE NOT "INTERESTED PERSONS" APPROVED THE CURRENT BOND FOR THE PERIOD FROM MAY 15, 2007 TO MAY 15, 2008: RESOLVED: That the renewal of the fidelity bond coverage for the period from May 15, 2007 to May 15, 2008, which provides coverage in the aggregate amount of \$600,000, is hereby approved; and further RESOLVED: That it is the finding of the Directors at this Meeting that the fidelity bond (the "Bond") issued through Chubb Group of Insurance Companies in the amount of \$600,000 covering officers and employees of the Fund, in accordance with the requirements of Rule 17g-1 under the Investment Company Act of 1940, as amended (the "1940 Act"), is reasonable in form and amount, after having given due consideration to, among other things, the value of the aggregate assets of the Fund to which any person covered under the Bond may have access, the custody and safekeeping of the assets of the Fund's portfolio, and the nature of the securities in the Fund's portfolio; and further RESOLVED: That the premium in the amount of \$2,200 paid by the Fund under the Bond is hereby authorized; and further RESOLVED: That the appropriate officers of the Fund be, and they hereby are, authorized and

directed to prepare, execute, and file such amendments and supplements to the aforesaid agreement, and to take such other action as may from time to time be necessary or appropriate in order to conform to the provisions of the 1940 Act and the rules and regulations under that Act; and further RESOLVED: That the Secretary or Assistant Secretary of the Fund shall make such filings concerning the Bond with the Securities and Exchange Commission ("SEC") and give such notices as required under paragraph (g) of Rule 17g-1 promulgated by the SEC under the 1940 Act.