

MILLER INDUSTRIES INC /TN/  
Form 10-K  
March 06, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-14124

MILLER INDUSTRIES, INC.  
(Exact name of registrant as specified in its charter)

Tennessee  
(State or other jurisdiction of incorporation or organization)

62-1566286  
(I.R.S. Employer Identification No.)

8503 Hilltop Drive, Ooltewah, Tennessee  
(Address of principal executive offices)

37363  
(Zip Code)

(423) 238-4171  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$.01 per share	New York Stock Exchange

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Securities registered pursuant to Section 12(g) of the Act:

None  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
 Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
 Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
 Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
 Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer  Accelerated Filer   
Non-accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
 Yes  No

The aggregate market value of the voting stock held by non-affiliates of the registrant (which for purposes hereof are all holders other than executive officers and directors) as of June 29, 2012 (the last business day of the registrant's most recently completed second fiscal quarter) was \$168,828,657 (based on 10,598,158 shares held by non-affiliates at \$15.93 per share, the last sale price reported on the New York Stock Exchange on June 29, 2012).

At February 28, 2013 there were 11,175,915 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III (Items 10, 11, 12, 13 and 14) is incorporated herein by reference to the Registrant's definitive proxy statement for its 2013 Annual Meeting of Shareholders which is to be filed pursuant to Regulation 14A.



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## CERTAIN FACTORS AFFECTING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report, including but not limited to statements made in Part II–Item 7–“Management’s Discussion and Analysis of Financial Condition and Results of Operations,” statements made with respect to future operating results, expectations of future customer orders and the availability of resources necessary for our business may be deemed to be forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “could,” “continue,” “future,” “potential,” “believe,” “project,” “plan,” “intend,” “seek,” “estimate,” “predict,” “expect,” “anticipate” and similar terms, or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. Such forward-looking statements are made based on our management’s beliefs as well as assumptions made by, and information currently available to, our management. Our actual results may differ materially from the results anticipated in these forward-looking statements due to, among other things: economic and market conditions; the risks related to the general economic health of our customers; our customer’s access to capital and credit to fund purchases, including the ability of our customers to secure floor plan financing; the success and timing of existing and additional export and governmental orders; the cyclical nature of our industry; changes in fuel and other transportation costs; our dependence on outside suppliers of raw materials; changes in the cost of aluminum, steel and related raw materials; and those other risks referenced herein, including those risks referred to in this report, in Part I, Item 1A–“Risk Factors” and those risks discussed in our filings with the Securities and Exchange Commission filed after this Annual Report. Such factors are not exclusive. We do not undertake to update any forward-looking statement that may be made from time to time by, or on behalf of, our company.

## PART I

### ITEM 1. BUSINESS

#### General

Miller Industries is the world's largest manufacturer of vehicle towing and recovery equipment, with executive offices in Ooltewah, Tennessee, domestic manufacturing operations in Tennessee and Pennsylvania, and foreign manufacturing operations in France and the United Kingdom.

Since 1990, we have developed or acquired several of the most well-recognized brands in the towing and recovery equipment manufacturing industry. Our strategy has been to diversify our line of products and increase our presence in the industry by combining internal growth and development with acquisitions of complementary products.

In this Annual Report on Form 10-K, the words "Miller Industries," "the Company," "we," "our," "ours" and "us" refer to Miller Industries, Inc. and its subsidiaries or any of them.

#### Towing and Recovery Equipment

We offer a broad range of towing and recovery equipment products that meet most customer design, capacity and cost requirements. We manufacture the bodies of wreckers and car carriers, which are installed on truck chassis manufactured by third parties. We frequently purchase the truck chassis for resale to our customers. Wreckers generally are used to recover and tow disabled vehicles and other equipment and range in type from the conventional tow truck to large recovery vehicles with rotating hydraulic booms and up to 75-ton lifting capacities. Car carriers are specialized flatbed vehicles with hydraulic tilt mechanisms that enable a towing operator to drive or winch a vehicle onto the bed for transport. Car carriers transport new or disabled vehicles and other equipment and are particularly effective over longer distances. We also manufacture vehicle transport trailers.

Our products primarily are sold through independent distributors that serve all 50 states, Canada and Mexico, and other foreign markets including Europe, the Pacific Rim, the Middle East, South America and Africa, and through prime contractors to governmental entities. Additionally, as a result of our ownership of Jige in France and Boniface in the United Kingdom, we have substantial distribution capabilities in Europe. While most of our distributor agreements do not contain exclusivity provisions, management believes that approximately 85% of our independent distributors sell our products on an exclusive basis. In addition to selling our products to towing operators, our independent distributors provide parts and service. We also utilize sales representatives to exclusively market our products and provide expertise and sales assistance to our independent distributors. Management believes the strength of our distribution network and the breadth of our product offerings are two key advantages over our competitors.

#### Product Lines

We manufacture a broad line of wrecker, car carrier and trailer bodies to meet a full range of customer design, capacity and cost requirements.

**Wreckers.** Wreckers are generally used to recover and tow disabled vehicles and other equipment and range in type from the conventional tow truck to large recovery vehicles with up to 75-ton lifting capacities. Wreckers are available with specialized features, including underlifts, L-arms, crossbars and scoops, which lift disabled vehicles by the tires or front axle to minimize front end damage to the towed vehicles. Certain heavy duty wrecker models offer rotating booms, which allow heavy duty wreckers to recover vehicles from any angle, and remote control devices for operating wreckers. In addition, certain light duty wreckers are equipped with automatic wheelift hookup devices that allow

operators to engage a disabled or unattended vehicle without leaving the cab of the wrecker.

Our wreckers range in capacity from 4 to 75 tons, and are classified as either light duty or heavy duty, with wreckers of 16-ton or greater capacity being classified as heavy duty. Light duty wreckers are used to remove vehicles from accident scenes and vehicles illegally parked, abandoned or disabled, and for general recovery. Heavy duty wreckers are used in towing and recovery applications including overturned tractor trailers, buses, motor homes and other large vehicles.

**Car Carriers.** Car carriers are specialized flat-bed vehicles with hydraulic tilt mechanisms that enable a towing operator to drive or winch a vehicle onto the bed for transport. Car carriers are used to transport new or disabled vehicles and other equipment and are particularly effective for transporting vehicles or other equipment over longer distances. In addition to transporting vehicles, car carriers may also be used for other purposes, including transportation of industrial equipment. Most professional towing operators have car carriers in their fleets to complement their towing capabilities.

**Transport Trailers.** Our multi-vehicle transport trailers are specialized auto transport trailers with upper and lower decks and hydraulic ramps for loading vehicles. These trailers are used for moving multiple vehicles for auto auctions, car dealerships, leasing companies and other similar applications. These trailers are easy to load and transport 6 to 7 vehicles. The vehicles can be secured to transport quickly with ratchet and chain tie-downs that are mounted throughout the frame of the transport. Many professional towing operators have added auto transport trailers to their fleets to add to their service offerings. Also, we design, engineer and manufacture special-use transport and trailer products. On December 27, 2012, we formed Delavan Automotive LLC, of which we have a controlling interest, for the sale of larger capacity automobile transport trailers in the United States and Canada. We will produce trailers under this entity beginning in 2013 as an extension of our current product offering.

#### Brand Names

We manufacture and market our wreckers, car carriers and trailers under ten separate brand names. Although certain brands overlap in terms of features, prices and distributors, each brand has its own distinctive image and customer base.

**Century®.** The Century brand is our “top-of-the-line” brand and represents what management believes to be the broadest product line in the industry. The Century line was started in 1974 and produces wreckers ranging from 8-ton light duty to 75-ton heavy duty models, and car carriers in lengths from 20 to 30 feet. Management believes that the Century brand has a reputation as the industry’s leading product innovator.

**Vulcan®.** Our Vulcan product line includes a range of premium light duty and heavy duty wreckers, ranging from 8-ton light duty to 50-ton heavy duty models, and car carriers. The Vulcan line is sold through its own independent distribution network.

**Challenger®.** Our Challenger products compete with the Century and Vulcan products and constitute a third premium product line. Challenger products consist of heavy duty wreckers with capacities ranging from 25 to 75 tons. The Challenger line was started in 1975 and is known for high performance heavy duty wreckers and aesthetic design.

**Holmes®.** Our Holmes product line includes mid-priced wreckers with 4 to 16 ton capacities, a 16-ton rotator and a detachable towing unit (DTU). The Holmes wrecker was first produced in 1916. Historically, the Holmes name has been the most well-recognized and leading industry brand both domestically and internationally.

**Champion®.** The Champion brand, which was introduced in 1991, includes car carriers which range in length from 19 to 21 feet. The Champion product line, which is generally lower-priced, allows us to offer a full line of car carriers at various competitive price points.



Chevron™. Our Chevron product line is comprised primarily of premium car carriers. Chevron produces a range of premium single-car, multi-car and industrial carriers, as well as wreckers ranging from 8-ton to 16-ton models. The Chevron line is operated autonomously with its own independent distribution network.

Eagle®. Our Eagle products consist of light duty wreckers with the “Eagle Claw” hook-up system that allows towing operators to engage a disabled or unattended vehicle without leaving the cab of the tow truck. The “Eagle Claw” hook-up system was originally developed for the repossession market. Since acquiring Eagle, we have upgraded the quality and features of the Eagle product line and expanded its recovery capability.

Titan®. Our Titan product line is comprised of premium multi-vehicle transport trailers which can transport up to 7 vehicles depending on configuration.

Jige™. Our Jige product line is comprised of a broad line of premium light duty and heavy duty wreckers and car carriers marketed primarily in Europe. Jige is a market leader best known for its innovative designs of car carriers and light duty wreckers necessary to operate within the narrow confines of European cities, as well as heavy duty wreckers.

Boniface™. Our Boniface product line is comprised primarily of premium heavy duty wreckers marketed primarily in Europe. Boniface produces heavy duty wreckers specializing in the long underlift technology required to tow modern European tour buses.

### Product Development and Manufacturing

Our Holmes and Century brand names are associated with four of the major innovations in the industry: the rapid reverse winch; the tow sling; the hydraulic lifting mechanism; and the underlift with parallel linkage and L arms. Our engineering staff, in consultation with manufacturing personnel, uses computer-aided design and stress analysis systems to test new product designs and to integrate various product improvements. In addition to offering product innovations, we focus on developing or licensing new technology for our products.

We manufacture wreckers, car carriers and trailers at seven manufacturing facilities located in the United States, France and the United Kingdom. The manufacturing process for our products consists primarily of cutting and bending sheet steel or aluminum into parts that are welded together to form the wrecker, car carrier body or trailer. In addition, during the past several years, we have also begun to produce wrecker bodies using composites and other non-metallic materials. After the frame is formed, components such as hydraulic cylinders, winches, valves and pumps, which are purchased by us from third-party suppliers, are attached to the frame to form the completed wrecker or car carrier body. The completed body is either installed by us, or shipped by common carrier to a distributor where it is then installed, on a truck chassis. Generally, the wrecker or car carrier bodies are painted and towing operators can select customized colors to coordinate with chassis colors or fleet colors. To the extent final painting is required before delivery, we either complete such painting or contract with independent paint shops for such services.

We purchase raw materials and component parts from a number of sources. Although we have no long-term supply contracts, management believes we have good relationships with our primary suppliers. In recent years prices have fluctuated significantly, but we have experienced no significant problems in obtaining adequate supplies of raw materials and component parts to meet the requirements of our production schedules. Management believes that the materials used in the production of our products are available at competitive prices from an adequate number of alternative suppliers. Accordingly, management does not believe that the loss of a single supplier would have a material adverse effect on our business.

### Sales, Distribution and Marketing

Management categorizes the towing and recovery market into three general product types: light duty wreckers; heavy duty wreckers; and car carriers. The light duty wrecker market consists primarily of professional wrecker operators, repossession towing services, local and national governmental entities and repair shop or salvage company owners. The heavy duty market includes professional wrecker operators serving the needs of commercial vehicle operators as well as governmental entities. The car carrier market has expanded to include equipment rental companies that offer delivery service and professional towing operators who desire to complement their existing towing capabilities. Management estimates that there are approximately 35,000 professional towing operators and many more service station, repair shop and salvage operators comprising the overall towing and recovery market.

We have developed a diverse network of independent distributors, consisting of approximately 80 distributors in North America, who serve all 50 states, Canada and Mexico, and numerous distributors that serve other foreign markets. In 2012, no single distributor accounted for more than 10% of our sales. Management believes our broad and diverse network of distributors provides us with the flexibility to adapt to market changes, lessens our dependence on particular distributors and reduces the impact of regional economic factors.

Our sales force services our network of independent distributors and consists of sales representatives whose responsibilities include providing administrative and sales support to the entire base of independent distributors. Sales representatives receive commissions on direct sales based on product type and brand and generally are assigned specific territories in which to promote sales of our products and to maintain customer relationships.

In addition to providing services to our network of independent distributors, our sales force sells our products to various governmental entities, including the U.S. federal government and foreign governments, through prime contractors. For example, in 2011, 26.8% of our consolidated net sales were made to the U.S. federal government through prime contractors.

To support sales and marketing efforts, we produce demonstrator models that are used by our sales representatives and independent distributors. To increase exposure to our products, we also serve as the official recovery team for many automobile racing events, including NASCAR races at Daytona, Talladega, Richmond, Atlanta, Chicago, Kansas, California, Michigan, Darlington, Phoenix, Homestead (Miami) and the Rolex Daytona 24 Hour Race, among others.

We routinely respond to requests for proposals or bid invitations in consultation with our local distributors. Our products have been selected by the United States General Services Administration as an approved source for certain federal and defense agencies. We intend to continue to pursue government contracting opportunities.

The towing and recovery equipment industry places heavy marketing emphasis on product exhibitions at national, regional and international trade shows. In order to focus our marketing efforts and to control marketing costs, we concentrate our efforts on the major trade shows each year, and we work with our network of independent distributors to concentrate on various regional shows.

#### Product Warranties and Insurance

We generally offer a 12-month limited manufacturer's product and service warranty on our wrecker and car carrier products. Our warranty generally provides for repair or replacement of failed parts or components. Warranty service is usually performed by us or an authorized distributor. Management believes that we maintain adequate general liability and product liability insurance.

#### Backlog

We produce virtually all of our products to order. Our backlog is based upon customer purchase orders that we believe are firm. The level of backlog at any particular time, however, may not be an appropriate indicator of our future operating performance. Certain purchase orders may be subject to cancellation by the customer upon notification. Given our production and delivery schedules, management generally believes that the current backlog represents less than three months of production except for certain governmental orders for which we expect production to continue into the second half of 2014.

#### Competition

The towing and recovery equipment manufacturing industry is highly competitive for sales to distributors and towing operators. Management believes that competition in this industry focuses on product quality and innovation, reputation, technology, customer service, product availability and price. We compete on the basis of each of these criteria, with an emphasis on product quality and innovation and customer service. Management also believes that a manufacturer's relationship with distributors is a key component of success in the industry. Accordingly, we have invested substantial resources and management time in building and maintaining strong relationships with distributors. Management also believes that our products are regarded as high quality within their particular price

points. Our marketing strategy is to continue to compete primarily on the basis of quality and reputation rather than solely on the basis of price, and to continue to target the growing group of professional towing operators who as end-users recognize the quality of our products.

Traditionally, the capital requirements for entry into the towing and recovery manufacturing industry have been relatively low. Management believes a manufacturer's capital resources and access to technological improvements have become a more integral component of success in recent years. Certain of our competitors may have greater financial and other resources and may provide more attractive dealer and retail customer financing alternatives than we do.

## Employees

We employed approximately 750 people as of December 31, 2012. None of our employees are covered by a collective bargaining agreement, though our employees in France and the United Kingdom have certain similar rights provided by their respective government's employment regulations. We consider our employee relations to be good.

## Intellectual Property Rights

Our development of the underlift parallel linkage and L-arms is considered one of the most innovative developments in the wrecker industry. This technology is significant primarily because it allows the damage-free towing of newer aerodynamic vehicles made of lighter weight materials. This technology, particularly the L-arms, is used in a majority of commercial wreckers today. We hold a number of utility and design patents covering other of our products, including the Vulcan "scoop" wheel-retainer and the car carrier anti-tilt device. We have also obtained the rights to use and develop certain technologies owned or patented by others. Management believes that, until the patents on our technology expire, utilization of our patented technology without a license is an infringement of such patents. We have successfully litigated infringement lawsuits in which the validity of our patents on our technology was upheld, and successfully settled other lawsuits. Pursuant to the terms of a consent judgment entered into in 2000 with the Antitrust Division of the U.S. Department of Justice, we are required to offer non-exclusive royalty-bearing licenses to certain of our key patents to all tow truck and car carrier manufacturers.

Our trademarks "Century," "Holmes," "Champion," "Challenger," "Formula I," "Pro Star," "Street Runner," "Vulcan," "Right" and "Extreme Angle," among others, are registered with the United States Patent and Trademark Office. Management believes that our trademarks are well-recognized by dealers, distributors and end-users in their respective markets and are associated with a high level of quality and value.

## Government Regulations and Environmental Matters

Our operations are subject to federal, state and local laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. Management believes that we are in substantial compliance with all applicable federal, state and local provisions relating to the protection of the environment. The costs of complying with environmental protection laws and regulations has not had a material adverse impact on our financial condition or results of operations in the past and is not expected to have a material adverse impact in the future.

We are also subject to the Magnuson-Moss Warranty Federal Trade Commission Improvement Act which regulates the description of warranties on products. The description and substance of our warranties are also subject to a variety of federal and state laws and regulations applicable to the manufacturing of vehicle components. Management believes that continued compliance with various government regulations will not materially affect our operations.

## Executive Officers of the Registrant

Information relating to our executive officers as of the end of the period covered by this Annual Report is set forth below. William G. Miller, II is the son of William G. Miller. Other than Messrs Miller and Miller, there are no family relationships among the executive officers, directors or nominees for director, nor are there any arrangements or understandings between any of the executive officers and any other persons pursuant to which they were selected as executive officers.



Name	Age	Position
William G. Miller	66	Chairman of the Board
Jeffrey I. Badgley	60	Chief Executive Officer
Frank Madonia	64	Executive Vice President, Secretary and General Counsel
J. Vincent Mish	62	Executive Vice President, Chief Financial Officer and Treasurer
William G. Miller, II	34	President
Vincent J. Tiano	48	Vice President, Sales - North America

William G. Miller has served as Chairman of the Board since April 1994. Mr. Miller served as our Chief Executive Officer from April 1994 until June 1997, and as our Co-Chief Executive Officer from October 2003 until March 2011. In June 1997, he was named Co-Chief Executive Officer, a title he shared with Jeffrey I. Badgley until November 1997. Mr. Miller also served as our President from April 1994 to June 1996. He served as Chairman of Miller Group, Inc. from August 1990 through May 1994, as its President from August 1990 to March 1993, and as its Chief Executive Officer from March 1993 until May 1994. Prior to 1987, Mr. Miller served in various management positions for Bendix Corporation, Neptune International Corporation, Wheelabrator-Frye, Inc. and The Signal Companies, Inc.

Jeffrey I. Badgley has served as our Chief Executive Officer since March 2011, after serving as our President from June 1996 until March 2011 and as our Co-Chief Executive Officer with Mr. Miller from October 2003 until March 2011. Mr. Badgley has served as a director since January 1996. Mr. Badgley served as our Chief Executive Officer from November 1997 to October 2003. In June 1997, he was named our Co-Chief Executive Officer, a title he shared with Mr. Miller until November 1997. Mr. Badgley served as our Vice President from 1994 to 1996, and as our Chief Operating Officer from June 1996 to June 1997. In addition, Mr. Badgley has served as President of Miller Industries Towing Equipment Inc. since 1996. Mr. Badgley has served as President of Miller Industries Towing Equipment Inc. since 1996.

**5.If the first named Insured ceases for any reason to be covered under the attached bond, then the Insured next named shall thereafter be considered as the first named Insured for all the purposes of the attached bond.**

**Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Bond or Policy, other than as above stated.**

By

INSURED ICB010 Ed. 7-04<sup>a</sup> 2004 The St.Paul

Authorized Representative Page 1 of 1



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*The following spaces preceded by an (\*) need not be completed if this endorsement or rider and the Bond or Policy have the same inception date.*

*The hard copy of the bond issued by the Underwriter will be referenced in the event of a loss.*

ATTACHED TO AND FORMING PART OF BOND OR POLICY NO.	DATE ENDORSEMENT OR RIDER EXECUTED	* EFFECTIVE DATE OF ENDORSEMENT OR RIDER 12:01 A.M. STANDARD TIME AS SPECIFIED IN THE BOND OR POLICY
483PB0998 * ISSUED TO	07/23/10	07/27/10

**CLOUGH GLOBAL ALLOCATION FUND**

**Unauthorized Signatures**

**It is agreed that:**

**1. The attached bond is amended by inserting an additional Insuring Agreement as follows:**

**INSURING AGREEMENT J UNAUTHORIZED SIGNATURE**

- (A) Loss resulting directly from the Insured having accepted, paid or cashed any check or withdrawal order, draft, made or drawn on a customer's account which bears the signature or endorsement of one other than a person whose name and signature is on the application on file with the Insured as a signatory on such account.**
- (B) It shall be a condition precedent to the Insured's right of recovery under this Rider that the Insured shall have on file signatures of all persons who are authorized signatories on such account.**

**2. The total liability of the Underwriter under Insuring Agreement J is limited to the sum of Twenty-Five Thousand Dollars (\$25,000 ), it being understood, however, that such liability shall be part of and not in addition to the Limit of Liability stated in Item 3 of the Declarations of the attached bond or amendment thereof.**

**3. With respect to coverage afforded under this Rider, the Deductible Amount shall be Two Thousand Five Hundred Dollars (\$2,500 ).**

**Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Bond or Policy, other than as above stated.**

**By**

**Authorized Representative**

**INSURED**

*The following spaces preceded by an (\*) need not be completed if this endorsement or rider and the Bond or Policy have the same inception date.*

*The hard copy of the bond issued by the Underwriter will be referenced in the event of a loss.*

ATTACHED TO AND FORMING PART OF BOND OR POLICY NO.	DATE ENDORSEMENT OR RIDER EXECUTED	* EFFECTIVE DATE OF ENDORSEMENT OR RIDER 12:01 A.M. STANDARD TIME AS SPECIFIED IN THE BOND OR POLICY
483PB0998	07/23/10	07/27/10

**\* ISSUED TO**

**CLOUGH GLOBAL ALLOCATION FUND**

**Telefacsimile Transactions**

**It is agreed that:**

**1. The attached Bond is amended by adding an additional Insuring Agreement as follows:**

**INSURING AGREEMENT N TELEFACSIMILE TRANSACTIONS**

**Loss caused by a Telefacsimile Transaction, where the request for such Telefacsimile Transaction is unauthorized or fraudulent and is made with the manifest intent to deceive; provided, that the entity which receives such request generally maintains and follows during the Bond Period all Designated Fax Procedures with respect to Telefacsimile Transactions. The isolated failure of such entity to maintain and follow a particular Designated Fax Procedure in a particular instance will not preclude coverage under this Insuring Agreement, subject to the exclusions herein and in the Bond.**

**2. Definitions.** The following terms used in this Insuring Agreement shall have the following meanings:

- a. **Telefacsimile System** means a system of transmitting and reproducing fixed graphic material (as, for example, printing) by means of signals transmitted over telephone lines.
- b. **Telefacsimile Transaction** means any Fax Redemption, Fax Election, Fax Exchange, or Fax Purchase.
- c. **Fax Redemption** means any redemption of shares issued by an Investment Company which is requested through a Telefacsimile System.
- d. **Fax Election** means any election concerning dividend options available to Fund shareholders which is requested through a Telefacsimile System.
- e. **Fax Exchange** means any exchange of shares in a registered account of one Fund into shares in an identically registered account of another Fund in the same complex pursuant to exchange privileges of the two Funds, which exchange is requested through a Telefacsimile System.
- f. **Fax Purchase** means any purchase of shares issued by an Investment Company which is requested through a Telefacsimile System.
- g. **Designated Fax Procedures** means the following procedures:
  - (1) **Retention:** All Telefacsimile Transaction requests shall be retained for at least six (6) months. Requests shall be capable of being retrieved and produced in legible form within a reasonable time after retrieval is requested.
  - (2) **Identity Test:** The identity of the sender in any request for a Telefacsimile Transaction shall be tested before executing that Telefacsimile Transaction,

**either by requiring the sender to include on the face of the request a unique identification number or to include key specific account information. Requests of Dealers must be on company letterhead and be signed by an authorized representative. Transactions by occasional users are to be verified by telephone confirmation.**

- (3) **Contents:** A Telefacsimile Transaction shall not be executed unless the request for such Telefacsimile Transaction is dated and purports to have been signed by (a) any shareholder or subscriber to shares issued by a Fund, or (b) any financial or banking institution or stockbroker.
- (4) **Written Confirmation:** A written confirmation of each Telefacsimile Transaction shall be sent to the shareholder(s) to whose account such Telefacsimile Transaction relates, at the record address, by the end of the Insured's next regular processing cycle, but no later than five (5) business days following such Telefacsimile Transaction.
- i. **Designated** means or refers to a written designation signed by a shareholder of record of a Fund, either in such shareholder's initial application for the purchase of Fund shares, with or without a Signature Guarantee, or in another document with a Signature Guarantee.
- j. **Signature Guarantee** means a written guarantee of a signature, which guarantee is made by an Eligible Guarantor Institution as defined in Rule 17Ad-15(a)(2) under the Securities Exchange Act of 1934.
3. **Exclusions.** It is further understood and agreed that this Insuring Agreement shall not cover:
- a. Any loss covered under Insuring Agreement A, Fidelity, of this Bond; and
- b. Any loss resulting from:
- (1) Any Fax Redemption, where the proceeds of such redemption were requested to be paid or made payable to other than (a) the shareholder of record, or (b) a person Designated in the initial application or in writing at least one (1) day prior to such redemption to receive redemption proceeds, or (c) a bank account Designated in the initial application or in writing at least one (1) day prior to such redemption to receive redemption proceeds; or
- (2)



**Any Fax Redemption of Fund shares which had been improperly credited to a shareholder's account, where such shareholder (a) did not cause, directly or indirectly, such shares to be credited to such account, and (b) directly or indirectly received any proceeds or other benefit from such redemption; or**

- (3) Any Fax Redemption from any account, where the proceeds of such redemption were requested to be sent to any address other than the record address or another address for such account which was designated (a) over the telephone or by telefacsimile at least fifteen (15) days prior to such redemption, or (b) in the initial application or in writing at least one (1) day prior to such redemption; or**

**(4) The intentional failure to adhere to one or more Designated Fax Procedures;  
or**

**(5) The failure to pay for shares attempted to be purchased.**

**4. The Single Loss Limit of Liability under Insuring Agreement N is limited to the sum of Two Million Five Hundred Thousand Dollars (\$2,500,000 ) it being understood, however, that such liability shall be part of and not in addition to the Limit of Liability stated in Item 3 of the Declarations of the attached Bond or amendments thereof.**

**5. With respect to coverage afforded under this Rider the applicable Single loss Deductible Amount is Twenty Five Thousand Dollars (\$25,000 ).**

**Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Bond or Policy, other than as above stated.**

**By**

**Authorized Representative**

**INSURED**

*The following spaces preceded by an (\*) need not be completed if this endorsement or rider and the Bond or Policy have the same inception date.*

*The hard copy of the bond issued by the Underwriter will be referenced in the event of a loss.*

ATTACHED TO AND	DATE	* EFFECTIVE DATE OF ENDORSEMENT
FORMING	ENDORSEMENT	OR RIDER
	OR	
PART OF BOND OR	RIDER	12:01 A.M. STANDARD TIME AS
POLICY NO.	EXECUTED	
		SPECIFIED IN THE BOND OR POLICY
483PB0998	07/23/10	07/27/10
* ISSUED TO		

**CLOUGH GLOBAL ALLOCATION FUND**

## Voice Initiated Transactions

It is agreed that:

1. The attached bond is amended by inserting an additional Insuring Agreement as follows:

### **INSURING AGREEMENT L -VOICE-INITIATED TRANSACTIONS**

**Loss caused by a Voice-initiated Transaction, where the request for such Voice-initiated Transaction is unauthorized or fraudulent and is made with the manifest intent to deceive; provided, that the entity which receives such request generally maintains and follows during the Bond Period all Designated Procedures with respect to Voice-initiated Redemptions and the Designated Procedures described in paragraph 2f (1) and (3) of this Rider with respect to all other Voice-initiated Transactions. The isolated failure of such entity to maintain and follow a particular Designated Procedure in a particular instance will not preclude coverage under this Insuring Agreement, subject to the specific exclusions herein and in the Bond.**

2. **Definitions.** The following terms used in this Insuring Agreement shall have the following meanings:

- a. **Voice-initiated Transaction** means any Voice-initiated Redemption, Voice-initiated Election, Voice-initiated Exchange, or Voice-initiated Purchase.
- b. **Voice-initiated Redemption** means any redemption of shares issued by an Investment Company which is requested by voice over the telephone.
- c. **Voice-initiated Election** means any election concerning dividend options available to Fund shareholders which is requested by voice over the telephone.
- d. **Voice-initiated Exchange** means any exchange of shares in a registered account of one Fund into shares in an identically registered account of another Fund in the same complex pursuant to exchange privileges of the two Funds, which exchange is requested by voice over the telephone.

- (1) **Recordings: All Voice-initiated Transaction requests shall be recorded, and the recordings shall be retained for at least six (6) months. Information contained on the recordings shall be capable of being retrieved and produced within a reasonable time after retrieval of specific information is requested, at a success rate of no less than 85%.**

- (2) **Identity Test**: The identity of the caller in any request for a Voice-initiated Redemption shall be tested before executing that Voice-initiated Redemption, either by requesting the caller to state a unique identification number or to furnish key specific account information.
- (3) **Written Confirmation**: A written confirmation of each Voice-initiated Transaction and of each change of the record address of a Fund shareholder requested by voice over the telephone shall be mailed to the shareholder(s) to whose account such Voice-initiated Transaction or change of address relates, at the original record address (and, in the case of such change of address, at the changed record address) by the end of the Insured's next regular processing cycle, but no later than five (5) business days following such Voice-initiated Transaction or change of address.

- e. Voice-initiated Purchase means any purchase of shares issued by an Investment Company which is requested by voice over the telephone.
- f. Designated Procedures means the following procedures:
- g. Investment Company or Fund means an investment company registered under the Investment
- The hard copy of the bond issued by the Underwriter will be referenced in the event of a loss.*

**Company Act of 1940.**

- h. **Officially Designated** means or refers to a written designation signed by a shareholder of record of a Fund, either in such shareholder's initial application for the purchase of Fund shares, with or without a Signature Guarantee, or in another document with a Signature Guarantee.
- i. **Signature Guarantee** means a written guarantee of a signature, which guarantee is made by a financial or banking institution whose deposits are insured by the Federal Deposit Insurance Corporation or by a broker which is a member of any national securities exchange registered under the Securities Exchange Act of 1934.

**3. Exclusions. It is further understood and agreed that this Insuring Agreement shall not cover:**

- a. Any loss covered under Insuring Agreement A, Fidelity, of this Bond; and**

**b. Any loss resulting from:**

- (1) Any Voice-initiated Redemption, where the proceeds of such redemption were requested to be paid or made payable to other than (a) the shareholder of record, or (b) a person Officially Designated to receive redemption proceeds, or (c) a bank account Officially Designated to receive redemption proceeds; or**
- (2) Any Voice-initiated Redemption of Fund shares which had been improperly credited to a shareholder's account, where such shareholder (a) did not cause, directly or indirectly, such shares to be credited to such account, and (b) directly or indirectly received any proceeds or other benefit from such redemption; or**
- (3) Any Voice-initiated Redemption from any account, where the proceeds of such redemption were requested to be sent (a) to any address other than the record address for such account, or (b) to a record address for such account which was either (i) designated over the telephone fewer than thirty (30) days prior to such redemption, or (ii) designated in writing less than one (1) day prior to such redemption; or**
- (4) The intentional failure to adhere to one or more Designated Procedures; or**
- (5) The failure to pay for shares attempted to be purchased; or**
- (6) Any Voice-initiated Transaction requested by voice over the telephone and received by an automated system which receives and converts such request to executable instructions.**

**4. The total liability of the Underwriter under Insuring Agreement L is limited to the sum of Two Million Five Hundred Thousand Dollars (\$2,500,000 ), it being understood, however, that such liability shall be part of and not in addition to the Limit of Liability stated in Item 3 of the Declarations of the attached bond or amendment thereof.**

**5. With respect to coverage afforded under this Rider the applicable Deductible Amount is Twenty Five Thousand Dollars (\$25,000 ).**



**Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Bond or Policy, other than as above stated.**

**By**

**Authorized Representative**

**INSURED**

*The following spaces preceded by an (\*) need not be completed if this endorsement or rider and the Bond or Policy have the same inception date.*

*The hard copy of the bond issued by the Underwriter will be referenced in the event of a loss.*

<b>483PB0998</b>	<b>07/23/10 DATE</b>	<b>07/27/10 * EFFECTIVE DATE OF</b>
<b>ATTACHED TO</b>	<b>ENDORSEMENT</b>	<b>ENDORSEMENT OR RIDER 12:01</b>
<b>AND FORMING</b>	<b>OR RIDER</b>	<b>A.M.</b>
<b>PART OF</b>	<b>EXECUTED</b>	<b>STANDARD TIME AS SPECIFIED</b>
<b>BOND OR</b>		<b>IN THE BOND OR POLICY</b>
<b>POLICY NO.</b>		

**\* ISSUED TO**

**CLOUGH GLOBAL ALLOCATION FUND**

**Amend Definition of Employee (Exclude EDP Coverage for Computer Software or Programs)**

**It is agreed that:**

**1. Sub-section 7 of Section 1(a) in the Definition of Employee, is deleted and replaced by the following:**

**(7) each natural person, partnership or corporation authorized by written agreement with the Insured to perform services as electronic data processor of checks or other accounting records of the Insured (does not include the creating, preparing, modifying or maintaining the Insured s computer software or programs), but excluding any such processor who acts as transfer agent or in any other agency capacity in issuing checks, drafts or securities for the Insured, unless included under sub-section (9) hereof, and**

**Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Bond or Policy, other than as above stated.**

**By**

**Authorized Representative**

**INSURED**

*The following spaces preceded by an (\*) need not be completed if this endorsement or rider and the Bond or Policy have the same inception date.*

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**483PB0998  
ATTACHED  
  
TO AND  
FORMING PART**

**07/23/10 DATE  
ENDORSEMENT  
OR RIDER  
EXECUTED**

**07/27/10 \* EFFECTIVE DATE OF  
ENDORSEMENT OR RIDER 12:01  
A.M. STANDARD TIME AS  
SPECIFIED IN THE BOND OR  
POLICY**

**OF BOND OR  
POLICY NO.**

**\* ISSUED TO  
CLOUGH GLOBAL ALLOCATION FUND**

**Definition of Investment Company**

**It is agreed that:**

**1. Section 1, Definitions, under General Agreements is amended to include the following paragraph:**

**(f) Investment Company means an investment company registered under the Investment Company Act of 1940 and as listed under the names of Insureds on the Declarations.**

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Bond or Policy, other than as above stated.

By

Authorized Representative

**INSURED**

*The following spaces preceded by an (\*) need not be completed if this endorsement or rider and the Bond or Policy have the same inception date.*

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<b>483PB0998 ATTACHED</b>	<b>07/23/10 DATE</b>	<b>07/27/10 * EFFECTIVE DATE OF</b>
<b>TO AND FORMING</b>	<b>ENDORSEMENT</b>	<b>ENDORSEMENT OR RIDER</b>
<b>PART OF BOND OR</b>	<b>OR RIDER</b>	<b>12:01 A.M.</b>
<b>POLICY NO.</b>	<b>EXECUTED</b>	<b>STANDARD</b>
		<b>TIME AS SPECIFIED IN THE</b>
		<b>BOND OR POLICY</b>

**\* ISSUED TO**

**CLOUGH GLOBAL ALLOCATION FUND**

**Amend Section 2. - Exclusions - Loss reporting after termination of Bond**

**It is agreed that:**

**1. Section 2. Exclusions, of the CONDITIONS AND LIMITATIONS is amended to include the following subsection:**

**(!¥) loss not reported to the Company in writing within Sixty (60) days after the termination of this bond as an entirety**

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms,

**conditions, provisions, agreements or limitations of the above mentioned Bond or Policy, other than as above stated.**

**By**

**Authorized Representative**

**INSURED**

*The following spaces preceded by an (\*) need not be completed if this endorsement or rider and the Bond or Policy have the same inception date.*

*The hard copy of the bond issued by the Underwriter will be referenced in the event of a loss.*

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<b>483PB0998</b>	<b>07/23/10 DATE</b>	<b>07/27/10 * EFFECTIVE DATE OF</b>
<b>ATTACHED TO</b>	<b>ENDORSEMENT</b>	<b>ENDORSEMENT OR RIDER 12:01</b>
<b>AND FORMING</b>	<b>OR RIDER</b>	<b>A.M. STANDARD TIME AS</b>
<b>PART OF BOND</b>	<b>EXECUTED</b>	<b>SPECIFIED IN THE BOND OR</b>
<b>OR POLICY NO.</b>		<b>POLICY</b>

**\* ISSUED TO**

**CLOUGH GLOBAL ALLOCATION FUND**

**Amend Section 13. - Termination as to any Employee**

**It is agreed that:**

**1. Sub-sections (b) of Section 13. TERMINATION under CONDITIONS AND LIMITATIONS, is deleted in its entirety, and the following is substituted in lieu thereof:**

**Upon the detection by any Insured that such Employee has committed any dishonest or fraudulent act(s) or theft, the Insured shall immediately remove such Employee from a position that may enable such Employee to cause the Insured to suffer a loss by any subsequent dishonest or fraudulent act(s) or theft. The Insured, within forty-eight (48) hours of such detection, shall notify the Underwriter with full and complete particulars of the detected dishonest or fraudulent act(s) or theft, or**

**For purposes of this section, detection occurs when any partner, officer, or supervisory Employee of any Insured, who is not in collusion with such (detected) Employee, becomes aware that the (detected) Employee has committed any dishonest or fraudulent act(s) or theft.**

**This Bond shall terminate as to any Employee by written notice to each Insured and to the Securities and Exchange Commission from the Underwriter of not less than sixty (60) days prior to the effective date of termination specified in such notice.**

**Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Bond or Policy, other than as above stated.**

**By**

**Authorized Representative**

**INSURED**

*The following spaces preceded by an (\*) need not be completed if this endorsement or rider and the Bond or Policy have the same inception date.*

*The hard copy of the bond issued by the Underwriter will be referenced in the event of a loss.*

<b>483PB0998</b>	<b>07/23/10 DATE</b>	<b>07/27/10 * EFFECTIVE DATE OF</b>
<b>ATTACHED</b>	<b>ENDORSEMENT</b>	<b>ENDORSEMENT OR RIDER 12:01</b>
<b>TO AND FORMING</b>	<b>OR RIDER</b>	<b>A.M. STANDARD TIME AS</b>
<b>PART OF BOND</b>	<b>EXECUTED</b>	<b>SPECIFIED IN THE BOND OR</b>
<b>OR POLICY NO.</b>		<b>POLICY</b>
<b>* ISSUED TO</b>		



**CLOUGH GLOBAL ALLOCATION FUND**

**Add Exclusions (n) & (o)**

**It is agreed that:**

**1. Section 2, Exclusions, under General Agreements, is amended to include the following sub-sections:**

**(n) loss from the use of credit, debit, charge, access, convenience, identification, cash management or other cards, whether such cards were issued or purport to have been issued by the Insured or by anyone else, unless such loss is otherwise covered under Insuring Agreement A.**

**(o) the underwriter shall not be liable under the attached bond for loss due to liability imposed upon the Insured as a result of the unlawful disclosure of non-public material information by the Insured or any Employee, or as a result of any Employee acting upon such information, whether authorized or unauthorized.**

**Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Bond or Policy, other than as above stated.**

**By**

**Authorized Representative**

**INSURED**

July 14, 2010

Clough Global Allocation Fund

and Clough Global Opportunities Fund

1290 Broadway, Suite 1100

Denver, Colorado 80203

**Re: Fidelity Bond Jointly Insured Letter Agreement**

To Whom It May Concern:

The parties hereto (each a Fund and collectively the Funds ) will be named as joint insured(s) pursuant to a bond to be issued by St. Paul Fire and Marine Insurance Company, a St. Paul Travelers Insurance Company (the Bond ), with a limit of liability set at \$2,500,000 for all three Funds although for a single Fund, the limit would be \$1,000,000 for the Clough Global Allocation Fund or Clough Global Equity Fund, and \$1,500,000 for the Clough Global Opportunities Fund. Rule 17g-1(f) of the Investment Company Act of 1940 (the Act ), which provides that where a registered management investment company such as one of the Funds named as insured under a joint insured bond, such investment company shall enter into an agreement with the other joint insured(s) providing for an equitable and proportionate share of any recovery under the bond as a result of any loss sustained.

Accordingly, it is agreed that in the event recovery is received under the Bond as a result of a loss sustained by more than one of the Funds, each such Fund shall receive an equitable and proportionate share of the recovery, but at least equal to the amount of the minimum coverage required for such Fund pursuant to Rule 17g-1(d) under the Act.

Very truly yours,

CLOUGH GLOBAL EQUITY FUND

By: /s/ Edmund J. Burke

Name: Edmund J. Burke

Title: President

AGREED:

CLOUGH GLOBAL ALLOCATION FUND

By: /s/ Erin E. Douglas

Name: Erin E. Douglas

Title: Secretary

CLOUGH GLOBAL OPPORTUNITIES FUND

By: /s/ Erin E. Douglas

Name: Erin E. Douglas

Title: Secretary

Approval of GLQ Insurance Policies

**RESOLVED:** that the Board of Trustees (the Board) of the Clough Global Equity Fund (GLQ) hereby authorizes the officers of GLQ to negotiate and effect GLQ's joint fidelity bond and joint mutual fund directors' and officers' errors and omission liability insurance policy (Joint D&O/E&O Policy) based on the parameters outlined to the Board; and further

**RESOLVED:** that the form and amount of the Joint D&O/E&O Policy and joint fidelity bond, as discussed at this meeting, be, and the same hereby is, approved after consideration of all factors deemed relevant by the Board; and further

**RESOLVED:** that the Joint D&O/E&O Policy, with the coverages and premiums as described at this meeting be, and hereby is approved in accordance with Rule 17-d under the Investment Company Act of 1940 (the 1940 Act); and further

**RESOLVED:** that the officers of GLQ are hereby authorized to execute a Letter Agreement by and among the Clough Global Allocation Fund, Clough Global Opportunities Fund and GLQ (each an Insured Party and collectively Insured Parties) providing that in the event of a loss sustained by the Insured Parties, each Insured Party shall receive an equitable and proportionate share of the recovery, which Letter Agreement shall be substantially the same as attached hereto; and further

**RESOLVED:** that the Secretary of GLQ be, and hereby is designated as the officer responsible for making the necessary filings and giving the notices with respect to such fidelity bond required by paragraph (g) of Rule 17g-1 under the 1940 Act; and further

**RESOLVED:** that the Officers of GLQ be, and each of them hereby is, authorized and empowered to take all actions as they, or any of them in his or her discretion, with the advice of counsel, may deem necessary or appropriate to carry out the intents and purposes of the foregoing resolutions.