

THE FINANCIAL SERVICES INSURANCE PROGRAM

APPLICATION FOR "CLAIMS-MADE AND REPORTED" SECURITIES BROKER / DEALER PROFESSIONAL LIABILITY INSURANCE

Administered by:
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Underwritten by one of the following insurance companies:
Scottsdale Insurance Company, Ohio
Scottsdale Indemnity Company, Ohio
Scottsdale Surplus Lines Insurance Company, Arizona

GENERAL INSTRUCTIONS AND INFORMATION

IMPORTANT: Please carefully read the information and follow the instructions set forth below. **Please type answers or print answers legibly in ink.**

The following have the meanings set forth below when used in this **Application** for Insurance and any Supplemental **Application** or Exhibits made a part hereof:

Applicant refers, individually and collectively, to the Broker/Dealer named in 1a., below, the Broker/Dealer's officers, directors, partners, employees, securities principals and registered representatives and any affiliate for which insurance coverage is sought under this **Application**.

Application refers, individually and collectively, to this **Application** for Insurance, any Supplemental **Application** attached hereto and any other information supplied in connection with this **Application**.

Each question or information request on this **Application** must be fully and accurately answered on behalf of **Applicant** (as defined above), all blanks must be appropriately filled in, and all additional required information supplied, leaving no part of the **Application** unanswered or incomplete. If the answer to any question is "none" or "not applicable", state "none" or "NA". Use the Supplemental Information Form ("S.I.F.") where additional space is required to provide requested information, descriptions or explanations and any additional information material to this **Application**. **An incomplete Application cannot be considered for insurance.**

The policy for which **Applicant** is applying covers only claims first made in writing against an insured and reported to Company in writing during the policy period while he/she/it is insured under the policy and which arise from the performance of professional services after the said insured's applicable retroactive date shown in the Declarations or an amendment to the policy. If **Applicant** has any questions concerning this coverage, please contact **Applicant's** insurance professional.

QUESTION 2d. PRIOR ACTS COVERAGE

Company may offer "prior acts" coverage which applies to professional liability claims (1) arising out of wrongful acts or incidents occurring prior to the policy inception date, while an insured was insured by another carrier, but on or after the applicable "retroactive date" for the insured under the policy, and (2) which are first reported in writing to Company during the policy period.

"Prior acts" coverage does not apply to the following:

- wrongful acts or incidents occurring prior to the insured's applicable "retroactive date" under the policy;
- claims or suits made against an insured prior to the effective date of the insured's coverage under the policy;
- claims or suits growing out of wrongful acts, incidents or fact situations occurring during a time when the insured was uninsured; or
- claims or suits growing out of wrongful acts, incidents or fact situations in insured's business or professional practice that might reasonably be expected to result in a claim or suit against the insured of which the insured was aware, or reasonably should have been aware, prior to the effective date of the insured's coverage under the policy.

Applicant may be able to obtain coverage for such claims, suits, wrongful acts or incidents by reporting them to **Applicant's** present insurer or by purchasing an extended reporting period ("tail") endorsement from **Applicant's** present insurer. In order to prevent a gap in coverage, which may result from **Applicant's** failure to report claims, suits, or incidents to **Applicant's** present insurer, it is recommended that **Applicant** carefully review **Applicant's** records and report to **Applicant's** current insurer any claim or suit **Applicant** may have received or any incident or fact situation within **Applicant's** business or professional practice that might result in a claim or suit being filed against **Applicant** at some later date. The latter may include, without limitation, any of the following incidents: failure to perform proper "due diligence" on a financial product which has lost value; client complaints about losses on a recommended securities or other investment advice; failure to maintain confidentiality of financial records; or fee disputes.

After reporting any such wrongful acts or incidents to **Applicant's** current insurer, **Applicant** should then evaluate whether **Applicant** wishes to purchase "prior acts" coverage from Company or "tail" coverage from **Applicant's** current insurer. If **Applicant** wishes to purchase "prior acts" coverage from Company, answer "yes" on question 2d., below, and indicate the desired "retroactive date" for such coverage. The "retroactive date" cannot be prior to the insured's first date of continuous professional liability coverage applying to such wrongful acts.

**APPLICATION FOR "CLAIMS-MADE AND REPORTED "
SECURITIES BROKER / DEALER PROFESSIONAL LIABILITY INSURANCE**

The undersigned, for and on behalf of the below indicated **Applicant** (including its officers, directors, partners, employees, registered representatives and securities principals, and any affiliates for which insurance coverage is sought under this **Application**), hereby makes **Application** for "claims-made and reported" securities broker/dealer professional liability insurance coverage, and in connection therewith furnishes Company the following information.

I. Applicant.		
1a. Broker/Dealer Name:	CRD Number	Employer Identification No.:
1b. Home Office Address (Street and No., City, County, State, Zip Code)		Office Telephone () -
1c. Mailing Address (Street and No., City, County, State, Zip Code)		FAX Number () -
1d. Contact Person:		Telephone Number () -
1e. Type of Organization: <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Other (Describe):		
1f. Year Established:	State of Organization:	
1g. List below all affiliated business organizations, including without limitation parents and subsidiaries, either owning or owned by Broker/Dealer or controlled, directly or indirectly, by Broker/Dealer, its parents, subsidiaries, officers, directors or employees. List each affiliate's full name, its relationship to Broker/Dealer, its business, and indicate for each such listed affiliate by "yes" or "no" whether it should be insured under this policy. Use the S.I.F. if more space is needed.		
1. Name: _____ Relationship: _____ Coverage Requested? <input type="checkbox"/> Yes <input type="checkbox"/> No Business: _____		
2. Name: _____ Relationship: _____ Coverage Requested? <input type="checkbox"/> Yes <input type="checkbox"/> No Business: _____		
3. Name: _____ Relationship: _____ Coverage Requested? <input type="checkbox"/> Yes <input type="checkbox"/> No Business: _____		
1h. Has Broker/Dealer or any affiliate requesting coverage under 1g. undergone any structural changes (e.g., merger, acquisition, divestiture, change of business, gone public) in the past five years, or does it anticipate any such change in the coming year? <input type="checkbox"/> Yes <input type="checkbox"/> No If "yes", explain on the S.I.F.		

II. REQUESTED PROFESSIONAL LIABILITY INSURANCE COVERAGE.		
2a. Company offers Limits of Liability that cover each wrongful act, with an annual per registered representative aggregate and a policy aggregate. Indicate the Each Wrongful Act Aggregate / Each Registered Representative Aggregate / Policy Aggregate Limits of Liability for which Applicant is applying:		
<input type="checkbox"/> \$100,000/\$100,000/\$200,000	<input type="checkbox"/> \$500,000/\$500,000/\$2,000,000	<input type="checkbox"/> \$2,000,000/\$2,000,000/\$3,000,000
<input type="checkbox"/> \$250,000/\$250,000/\$500,000	<input type="checkbox"/> \$1,000,000/\$1,000,000/\$1,000,000	<input type="checkbox"/> \$3,000,000/\$3,000,000/\$3,000,000
<input type="checkbox"/> \$250,000/\$250,000/\$1,000,000	<input type="checkbox"/> \$1,000,000/\$1,000,000/\$2,000,000	<input type="checkbox"/> \$3,000,000/\$3,000,000/\$5,000,000
<input type="checkbox"/> \$250,000/\$250,000/\$2,000,000	<input type="checkbox"/> \$1,000,000/\$1,000,000/\$3,000,000	<input type="checkbox"/> Other: _____
<input type="checkbox"/> \$500,000/\$500,000/\$1,000,000		
2b. Requested Self-Insured Retention:		
<input type="checkbox"/> \$5,000	<input type="checkbox"/> \$10,000 / \$25,000	<input type="checkbox"/> \$100,000
<input type="checkbox"/> \$10,000	<input type="checkbox"/> \$25,000	
<input type="checkbox"/> \$5,000 / \$25,000	<input type="checkbox"/> \$50,000	
2c. Desired Effective Date (not earlier than the date of receipt of this Application by Company): ____/____/____		
2d. Does Applicant wish to purchase "prior acts" coverage from Company? <input type="checkbox"/> Yes <input type="checkbox"/> No If "yes", indicate desired "retroactive date": ____/____/____ (Applicant must have been continuously insured for professional liability after this date.)		
2e. Company offers two coverage options. Please indicate which of the following options the Applicant wants:		
<input type="checkbox"/> Mandatory Program: All registered representatives and the broker/dealer are insured.		
<input type="checkbox"/> Voluntary Program: Only those registered representatives choosing insurance are insured; the broker/dealer is insured only for claims made by clients of insured registered representatives.		
<input type="checkbox"/> Quote both Programs.		

III. LIST PROFESSIONAL LIABILITY INSURANCE FOR THE LAST TEN YEARS. (Use the S.I.F. if additional space is needed.)			
3a. Current Insurer:	Yr. Premium: \$ _____	Limits per Occurrence/Aggregate*:	Deductible / Self-Insured Retention: \$ _____
Initial Effective Date: (Month/Day/Year) / /	Rate Per Registered Rep.: \$ _____	_____/_____ Retroactive Date: (If claims-made)	Will "tail" be purchased? (If claims-made) <input type="checkbox"/> Yes <input type="checkbox"/> No
Expiration Date: (Month/Day/Year) / /	Type: <input type="checkbox"/> Claims-Made <input type="checkbox"/> Occurrence	/ /	

3b. Prior Insurer: Initial Effective Date: (Month/Day/Year) / /	Expiration Date: (Month/Day/Year) / /	Yr. Premium: \$ _____ Rate Per Registered Rep.: \$ _____ Type: <input type="checkbox"/> Claims-Made <input type="checkbox"/> Occurrence	Limits per Occurrence/Aggregate*: _____/_____ Retroactive Date: (If claims-made) / /	Deductible / Self-Insured Retention: \$ _____ Was "tail" purchased? (If claims-made) <input type="checkbox"/> Yes <input type="checkbox"/> No
3c. Prior Insurer: Initial Effective Date: (Month/Day/Year) / /	Expiration Date: (Month/Day/Year) / /	Yr. Premium: \$ _____ Rate Per Registered Rep.: \$ _____ Type: <input type="checkbox"/> Claims-Made <input type="checkbox"/> Occurrence	Limits per Occurrence/Aggregate*: _____/_____ Retroactive Date: (If claims-made) / /	Deductible / Self-Insured Retention: \$ _____ Was "tail" purchased? (If claims-made) <input type="checkbox"/> Yes <input type="checkbox"/> No

IV. OTHER CURRENT INSURANCE. (Use the S.I.F. if additional space is needed.)				
4a. Directors & Officers Liability Insurer: Initial Effective Date: (Month/Day/Year) / /	Expiration Date: (Month/Day/Year) / /	Premium: \$ _____ Type: <input type="checkbox"/> Claims-Made <input type="checkbox"/> Occurrence	Limits per Occurrence/Aggregate*: _____/_____ Retroactive Date: (If claims-made) / /	Deductible: \$ _____ Policy Number: _____
4b. Fidelity Bond Insurer: Initial Effective Date: (Month/Day/Year) / /	Expiration Date: (Month/Day/Year) / /	Premium: \$ _____ Type: <input type="checkbox"/> Claims-Made <input type="checkbox"/> Occurrence	Limits per Occurrence/Aggregate*: _____/_____ Retroactive Date: (If claims-made) / /	Deductible: \$ _____ Policy Number: _____
4c. Life Insurance Professional Liability Insurer: Initial Effective Date (Month/Day/Year) / /	Expiration Date: (Month/Day/Year) / /	Premium: \$ _____ Rate Per Agent: \$ _____ Type: <input type="checkbox"/> Claims-Made <input type="checkbox"/> Occurrence	Limits per Occurrence/Aggregate*: _____/_____ Retroactive Date: (If claims-made) / / *If different Limits, specify on the S.I.F.	Deductible: \$ _____ Policy Number: _____
4d. Has the Broker/Dealer, or any of its parents, subsidiaries or affiliates, or any of their respective directors, officers, or securities principals ever had a professional liability or directors & officers insurance policy or fidelity bond declined, canceled, issued on special terms, renewal refused or had a request that an Application for insurance or for a bond be withdrawn? If "yes", explain on the S.I.F. <input type="checkbox"/> Yes <input type="checkbox"/> No				

V. SALES FORCE.	
5a. Number of Registered Representatives: Prior Year: (20____) _____ This Year: (20____) _____ Prior Year: (20____) _____ Next Year: (20____) _____	Average Attrition Rate: _____%
5b. Split the current number of registered representatives into the following applicable categories:	
1. Full Time: _____ Part Time: _____ Others: _____ Give number and description of each kind (e.g., "2 non producer back office") _____	
2. Employees: _____ Independent Contractors: _____ Others: _____ Give number and description of each kind: _____	
3. List the current number of registered representatives by the geographical domicile on Exhibit I.	
5c. Number of offices of supervising jurisdiction: _____	
5d. Describe on the S.I.F. the procedures for recruiting, screening and hiring new registered representatives, including pre-hiring background checks. Indicate whether "yes" answers on a registered representative's U-4 prevent him/her from being hired. If "no", describe hiring criteria on S.I.F. <input type="checkbox"/> Yes <input type="checkbox"/> No	
5e. Describe on the S.I.F. any characteristics that Applicant believes distinguish Applicant's registered representatives from those of other broker/dealers. (For example, all are credentialed financial planners.)	
5f. Do any registered representatives sell through or have offices in banks, savings and loans, credit unions or similar institutions? <input type="checkbox"/> Yes <input type="checkbox"/> No If "yes", describe what procedures are used to differentiate the securities sold by the registered representative from the insured C.D.'s sold by the banking organization and to ensure that the purchaser knows the risks:	

5g. Describe the training provided to registered representatives and any continuing education requirements:

5h. Does **Applicant** sponsor sales contests for its registered representatives? Yes No
 If "yes", describe: _____
 If "yes", are these contests disclosed to the registered representatives' clients? Yes No

VI. REVENUE. (On a consolidated basis for the Broker/Dealer, its parents, subsidiaries and affiliates for which insurance is requested.)

6a. Total Revenue
 Prior Year: (20____) \$ _____ This Year: (20____) \$ _____
 Prior Year: (20____) \$ _____ Next Year: (20____) \$ _____
 Prior Year: (20____) \$ _____

6b. Split the current year's revenue into percentages by the following categories:

Full service securities brokerage: _____%	Market making/specialist activities: _____%
Discount securities brokerage: _____%	Mergers and acquisitions: _____%
Life, health and disability insurance: _____%	Trading profits: _____%
Financial planning: _____%	Interest income: _____%
Asset management: _____%	Other activities/income: _____%
Underwriting: _____%	(Describe on S.I.F.) TOTAL 100%

VII. PRODUCTS AND SERVICES. (On a consolidated basis for the Broker/Dealer, its parents, subsidiaries and affiliates for which insurance is requested.)

7a. Split the current year's commission income into percentages by the products listed below:

TOTAL STOCKS: _____%	DERIVATIVES: _____%	TOTAL LTD. PARTNERSHIPS: _____%
Listed: _____%	COMMERCIAL PAPER,	Registered: _____%
Unlisted: _____%	REPURCHASE AGREEMENTS,	Unregistered: _____%
Penny: _____%	OTHER SHORT TERM NOTES: _____%	TOTAL ANNUITIES: _____%
(Unlisted trading for less than five dollars)	OPTION CONTRACTS: _____%	Variable: _____%
	(Stocks, index, etc.)	Other: _____%
TOTAL BONDS: _____%	FUTURES CONTRACTS: _____%	LIFE, HEALTH, DISABILITY: _____%
Investment Grade: _____%	(Commodities, currency etc.)	Life Insurance: _____%
"Junk": _____%	MUTUAL FUNDS: _____%	Health & Disability Insurance: _____%
UNREGISTERED STOCKS & BONDS: _____%	Hedge Funds: _____%	OTHER (Specify on S.I.F.): _____%
	Others: _____%	TOTAL: 100%

7b. Does the Broker/Dealer, its parents, subsidiaries, affiliates or any of their officers, directors, partners, employees or independent contractors have any financial interest (other than sales commission), ownership, control, or other relationship with any product sold or recommended by the firm or its registered representatives (e.g., act as a general partner of a limited partnership)? Yes No
 If "yes", explain on the S.I.F. _____

7c. Financial Planner Services.

1. Does the Broker/Dealer, directly or through an affiliated registered investment adviser, provide financial planning services? Yes No
 If "yes", describe on the S.I.F. the services provided, the qualifications of the individuals preparing the plans, and the role played by the registered representatives in this process. (**Applicant** may refer to an attached Form ADV to answer this question.)

2. Do any registered representatives provide financial planning services independent of the Broker/Dealer and its parents, subsidiaries and affiliates? Yes No
 If "yes", does the Broker/Dealer, its parents, subsidiaries or affiliates exercise any supervision or control over these services? Yes No
 If "yes", explain on the S.I.F. _____

3. Is insurance requested for these financial planning services? Yes No

7d. Asset Management Services.

1. Does the Broker/Dealer, directly or through an affiliated registered investment adviser, provide asset management services? Yes No
 If "yes", list the amount of funds under management:
 Last Year: _____
 This Year: _____
 Next Year: _____
 Is insurance requested for these services? Yes No
 If "yes", describe these services on the S.I.F. _____
 If portfolios of stocks and bonds are managed, complete the Supplemental Money Management **Application**.

2. Is the Broker/Dealer or the affiliated registered investment adviser an investment manager as defined under ERISA? Yes No

3. Do any registered representatives have discretionary trading authority over client funds? Yes No
 If "yes", describe the procedures that a registered representative follows in offering and providing such services and the supervision the Broker/Dealer provides the registered representative on the S.I.F. (**Applicant** may refer to sections of attached Compliance Procedures Manual to answer this question.)
 Is insurance requested for these services? Yes No

<p>4. Does the Broker/Dealer offer wrap accounts? <input type="checkbox"/> Yes <input type="checkbox"/> No If "yes", list on the S.I.F. the approved asset managers, the due diligence procedures performed on these asset managers, including the criteria used to determine whether they qualify for the approved list, and the services the Broker/Dealer and its registered representatives provide to these accounts.</p>
<p>7e. Investment Banking. Does the Broker/Dealer provide investment banking services, including, without limitation, underwriting of securities or mergers/acquisition consulting? If "yes", describe these services and any specialization that the Broker/Dealer may have on the S.I.F. <input type="checkbox"/> Yes <input type="checkbox"/> No Please Note: No insurance is provided for these services.</p>
<p>7f. Life, Health and Disability Insurance.</p> <p>1. Does the Broker/Dealer, directly or through an affiliated insurance agency, sell life, health and/or disability insurance? If "yes", split the commission income into the following categories based on the role of the Broker/Dealer or affiliate: <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="margin-left: 40px;"> <input type="text"/> % Agent. <input type="text"/> % General Agent. (# of Sub Agents <input type="text"/>) <input type="text"/> % Managing General Agent. (# of Sub Agents <input type="text"/>) <input type="text"/> % Other. Describe: _____ 100% </p> <p>2. What percentage of the Broker/Dealer's registered representatives are licensed to sell life, health or disability insurance? _____%</p> <p>3. Do any registered representatives sell life, health or disability insurance independent of the Broker/Dealer or its affiliated life insurance agency? If "yes", do you want insurance for these sales? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>4. Are any of the insurance companies represented by the Broker/Dealer or its affiliated insurance agency rated less than "A" by Bests or the equivalent rating by another rating agency? If "yes", list the companies and explain on the S.I.F. <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>5. On the S.I.F. describe the due diligence procedures used to place an insurance company and its products on the approved list.</p>
<p>7g. Other.</p> <p>1. Are there other products or services offered (e.g. pension plan administration, seats on securities exchanges) in addition to those already listed and described? If "yes", describe these on the S.I.F. <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. Does Applicant anticipate that more than 5% of its income for the next year will come from any product or service not already listed or describe above? If "yes", describe the product or service on the S.I.F. <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3. Are there any sources of income that have declined substantially or been discontinued in the last five years (e.g., limited partnership commission declined from 50% to 5%)? If "yes", describe on the S.I.F. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>

VIII. SECURITIES.

<p>8a. 1. Annual Number of Security Trades: _____ 2. Clearing House Used: _____</p>
<p>8b. Number of Brokerage Accounts: _____</p> <p>Individual Accounts: _____% Corporate Accounts: _____% Institutional Accounts: _____% Other Accounts: _____% Describe: _____ Total 100%</p>
<p>8c. What percentage of client accounts are Margin Accounts? _____%</p>
<p>8d. In what percentage of the accounts does the Broker/Dealer or a registered representative have discretionary investment authority? _____%</p>

IX. ADMINISTRATIVE PROCEDURES AND COMPLIANCE. (May be answered by applicable reference to the attached Compliance Procedures Manual.)

<p>9a. Does the Broker/Dealer have an approved list of securities? If "yes", describe here or on the S.I.F. the Broker/Dealer's due diligence procedures and acceptance guidelines for placing securities on its approved list. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>9b. Describe here or on the S.I.F. the Broker/Dealer's procedures for reviewing and approving new accounts?</p>
<p>9c. Arbitration.</p> <p>1. Do all client agreements contain an arbitration clause? <input type="checkbox"/> Yes <input type="checkbox"/> No. 2. Is the arbitration clause ever deleted? If "yes", describe the percentage of the time and the circumstances on the S.I.F. <input type="checkbox"/> Yes <input type="checkbox"/> No.</p>
<p>9d. Describe here or on the S.I.F. the Broker/Dealer's procedures to verify customer orders and determine that confirmations are accurate and timely.</p>

9e. Describe here or on the S.I.F. the Broker/Dealer's procedures for handling customer cash, checks and securities, including without limitation the procedures for verifying the inventory of money and securities.

9f. Does the Broker/Dealer have procedures that specifically address how registered representatives should handle the following?

	<u>Yes</u>	<u>No</u>	<u>Compliance Manual Section</u>		<u>Yes</u>	<u>No</u>	<u>Compliance Manual Section</u>
Discretionary Accounts:	<input type="checkbox"/>	<input type="checkbox"/>	_____	Limited Partnerships:	<input type="checkbox"/>	<input type="checkbox"/>	_____
Short Sales:	<input type="checkbox"/>	<input type="checkbox"/>	_____	Municipal Bonds:	<input type="checkbox"/>	<input type="checkbox"/>	_____
Customer Complaints:	<input type="checkbox"/>	<input type="checkbox"/>	_____	Options, Futures:	<input type="checkbox"/>	<input type="checkbox"/>	_____
Unregistered Securities:	<input type="checkbox"/>	<input type="checkbox"/>	_____	Life Insurance:	<input type="checkbox"/>	<input type="checkbox"/>	_____
Non-Approved Securities:	<input type="checkbox"/>	<input type="checkbox"/>	_____	Variable Annuities:	<input type="checkbox"/>	<input type="checkbox"/>	_____
				Mutual Funds:	<input type="checkbox"/>	<input type="checkbox"/>	_____

9g. 1. Describe here or on the S.I.F. the criteria used by the Broker/Dealer to audit its OSJ's.

2. Describe here or on the S.I.F. the problems uncovered by the OSJ audits and the actions taken to correct them.

X. CLAIMS AND COMPLAINTS.

10a. Has any claim, suit or arbitration for alleged malpractice, error, omission or other wrongful act been made against **Applicant**, its predecessors in business, officers, directors, securities principals, registered representatives, employees or independent contractors? Yes No
If "yes", complete a Claim Information Form for each claim, lawsuit or arbitration, whether or not **Applicant** was insured at the time and regardless of the outcome or current status.

10b. After a review of **Applicant's** records, does **Applicant**, or any of its partners, directors, officers, securities principals, employees, independent contractors or registered representatives have any knowledge or information of any circumstance (e.g. a limited partnership encountering financial difficulties) or any allegations or contentions of any incident which may result in a claim, suit or arbitration against **Applicant** or any of its officers, directors, employees, independent contractors, securities principals or registered representatives? Yes No
If "yes", complete a Claim Information Form for each such incident or fact situation.
Note: No coverage will be provided for any claim arising out of any such incident. If presently insured, **Applicant** should consider purchasing "tail" coverage to cover these incidents or fact situations.

10c. Is **Applicant** involved in or aware of any fee dispute with a client? If "yes", explain on the S.I.F. Yes No

10d. 1. List the number of notices, letters and complaints received by the Compliance Department and the amount paid in settlements in the last three years.

	<u>Number</u>	<u>Settlements</u>
Prior Year: (20__)	_____	\$ _____
Prior Year: (20__)	_____	\$ _____
This Year: (20__)	_____	\$ _____

2. Fill out a Claim Information Form for all cases in the last three years involving monetary settlements of \$2,500 or more, or if unsettled, demands or losses in excess of \$2,500.

XI. DISCIPLINARY ACTION. (For any "yes" answer, give full details, including disciplinary and corrective action taken, on the S.I.F.)

11a. Has any professional license or registration of **Applicant**, its officers, directors, partners, employees, independent contractors or any of its securities principals, registered representatives or insurance agents ever been denied, suspended, revoked, non-renewed or restricted in any way? Yes No

11b. Has **Applicant**, its officers, directors, partners, employees, independent contractors or any of its securities principals, registered representatives or insurance agents ever been disciplined, fined, or suspended by the SEC, FINRA, a state securities, corporation or insurance department or other regulatory body, or formally reprimanded by any court or administrative agency? If "yes", attach a copy of the U4 of any registered representative who was so disciplined etc. Yes No

11c. Has any complaint (other than ones identified in 10a., above) ever been filed against **Applicant**, its officers, directors, partners, employees, independent contractors or any of its securities principals, registered representatives or insurance agents with a consumer agency, the SEC, FINRA, a state insurance, corporations or securities department or other regulatory body? Yes No

11d. Has **Applicant**, its officers, directors, partners, employees, independent contractors or any of its securities principals, registered representatives or insurance agents ever been formally accused of violating any professional association's code of ethics? Yes No

11e. Has **Applicant**, its officers, directors, partners, employees, independent contractors or any of its securities principals, registered representatives or insurance agents ever been convicted of a criminal offense other than minor traffic violations? Yes No

11f. Has any contract between **Applicant** and any insurance company or others been suspended, terminated, non-renewed or restricted for cause? Yes No

XII. MISCELLANEOUS.

- 12a. Was **Applicant's** business different in any way from the business described in this **Application** during the period for which **Applicant** is requesting "prior acts" coverage, i.e., the time between the requested retroactive date and the policy inception date? (For example, sold substantially more limited partnerships or other types of products or services or employed more planners etc.) If "yes", please describe on the S.I.F. Yes No
- 12b. Is there any additional information material to this **Application** that has not been otherwise disclosed? If "yes", please specify on the S.I.F. Yes No

XIII. ADDITIONAL INFORMATION. Please attach a copy of the following documents:

- 13a. Financial Information.
1. Audited annual reports for the last three years (Form X-17A-5).
 2. The most recent 10-K and the last three 10-Q's filed with the SEC.
 3. Four most recent focus reports.
- 13b. Filed Forms.
1. Current Form BD and updates.
 2. Current Form ADV and updates.
 3. U4's for the officers, directors, partners and securities principals of **Applicant**.
- 13c. Contracts.
1. Client account contract forms and new account application forms.
 2. Financial planning contract forms, if such services are offered.
 3. Money management contracts, and limited power of attorney, if such services are offered.
 4. Wrap account contracts, if such services are offered.
 5. Registered representative contracts.
- 13d. Compliance.
1. Compliance manual and other administrative procedure manuals.
 2. Most recent SEC, FINRA, state corporation, securities and insurance department or other regulatory agency audits and **Applicant's** response.
- 13e. Marketing.
1. Corporate brochures.
 2. All advertisements run within the last two years.
- 13f. Investments.
1. A list of approved investment securities.
 2. A list of approved life insurance products and companies.
- 13g. Insurance.
- A copy of all current professional liability insurance policies.
- 13h. A complete list, by name and CRD number, of all of the Broker/Dealer's current registered representatives, and those reps. terminated during the last two years, including an indication of any who have been terminated for cause, whether or not so indicated on the rep's. U-5.

REPRESENTATIONS, WARRANTIES AND AGREEMENTS

Notice: Please read the following carefully before signing this **Application**.

On behalf of **Applicant** (including its officers, directors, partners, employees, registered representatives and securities principals, and any affiliates for which insurance coverage is sought under this **Application**) the undersigned makes the following representations, warranties and agreements:

1. I have been duly authorized, for and on behalf of **Applicant**, to apply for this insurance and to complete this **Application**.
2. **Applicant** has reviewed the information in this **Application** describing "prior acts" and "tail" coverage and the ramifications of failing to identify and report claims and incidents to **Applicant's** current or prior insurer(s).
3. The Claim Information Forms, if any, that are attached to this **Application** include the details of: (a) all claims and suits which have been brought against **Applicant**; and (b) all fact situations and incidents which have occurred in the past and which may reasonably be expected to result in a claim or suit against **Applicant** in the future. All such claims, suits and incidents have been reported to **Applicant's** current or prior insurer(s). It is understood and agreed that all such claims, suits, fact situations and incidents will be excluded from coverage under any policy issued by Company.
4. It is understood that completion of this **Application** does not constitute acceptance of this **Application** or obligate Company to complete the insurance applied for. It is understood and agreed that the language of the policy that is issued, if any, and not any summary language in this **Application** or any Company marketing materials, will determine actual insurance coverage.
5. It is understood and agreed: (a) that this **Application**, including, without limitation, all information submitted verbally or in writing in connection herewith and not contained herein, will be relied upon by Company in making a decision whether to issue a policy; (b) that this **Application** will be made a part of any such policy; and (c) that any such policy will be issued in reliance upon the representations made in connection with this **Application**.

6. It is understood and agreed that failure to provide a true and complete response to any of the questions, statements or requests for information in this **Application** or to provide any other information material to this **Application** may, at the sole option of Company, result in the voiding of the insurance policy issued in reliance on this **Application** and/or denial of coverage for specific claims asserted against **Applicant** or any other insured under the policy. The undersigned, on behalf of **Applicant** and all other insureds under any policy issued by Company, hereby waives any defense to an action by Company for rescission of such policy based upon misrepresentation of fact or failure to disclose material information in connection with this **Application**. **Applicant** agrees to hold Company harmless from all loss as a result of any such misrepresentation or failure to disclose, including, without limitation, all costs and attorney fees incurred by Company in connection with said action for rescission.
7. **Applicant** authorizes and consents to investigation of information bearing upon **Applicant's** moral character, professional reputation, and qualifications to engage in the activities to be insured, including, without limitation, authorization to every person or entity, public or private, to release to Company, its agents and authorized representatives, any documents, records or other information bearing upon the foregoing. It is understood and agreed that these investigations may not be confined to information submitted in this **Application**, but may include any other information deemed relevant by Company. It is understood and agreed that organizations releasing such information, their agents, servants and employees shall not incur any liability as a result of any information released or furnished pursuant to this authorization, including any errors, omissions or mistakes contained in such released information.
8. **Applicant** will notify Company within 10 days of any material change in the nature of **Applicant's** business (including, without limitation, any changes in location, the kind of products sold or services provided or the answers to the questions posed in Articles X and XI of this **Application**) while this **Application** is pending and throughout the term of any policy issued by Company.
9. By signing this **Application**, **Applicant** is also applying for membership in when applicable, the Financial Services Professional Liability Purchasing Group, Inc.

APPLICANT NAME: _____ **BY:** _____ **Date:** _____

PRINT NAME: _____ **TITLE:** _____

NOTICE: Any person who knowingly and with intent to defraud an insurance company or its representatives files an **Application** for insurance containing false information, or conceals information on any fact material thereto, commits a fraudulent insurance act which is a crime.

APPLICATION COMPLETION CHECK LIST

1. Review the **Application** to insure that full, accurate information has been provided, with each question answered and all blanks filled in with the requested information or "N.A." or "none", and that the Supplementary Information Form ("S.I.F.") contains all requested information and any additional information for which additional space is needed or which is material to making this **Application** accurate and complete. Company cannot respond to an incomplete **Application**.
2. Attach a completed Claim Information Form for each claim or suit brought against **Applicant**, and for each fact situation or incident that may reasonably result in such a claim or suit.
3. Review Article XIII and attach all additional information requested by that Article.
4. Attach any Supplement **Applications** called for under this **Application**.
5. Attach a completed Exhibit I. and the requested list, by name, of all registered representatives as set forth in 13h.
6. Sign and date the **Application**.
7. Mail the **Application** to ProSurance Group, Inc. at the address shown above.

THE FINANCIAL SERVICES INSURANCE PROGRAM

EXHIBIT I

REGISTERED REPRESENTATIVES
BY STATE & TERRITORY OF DOMICILE

ALABAMA:	_____	MINNESOTA:	_____
ALASKA:	_____	MISSISSIPPI:	_____
ARIZONA:	_____	MISSOURI:	_____
ARKANSAS:	_____	MONTANA:	_____
CALIF. - Los Angeles & Orange Counties:	_____	NEBRASKA:	_____
CALIF. - San Francisco, Marin, San Mateo, Santa Clara, Contra Costa, Alameda Counties:	_____	NEVADA:	_____
CALIF. -Rest of State:	_____	NEW HAMPSHIRE:	_____
COLORADO:	_____	NEW JERSEY:	_____
CONNECTICUT:	_____	NEW MEXICO:	_____
DELAWARE:	_____	NEW YORK - Nassau & Suffolk Counties:	_____
WASHINGTON, D. C.:	_____	NEW YORK - New York City:	_____
FLORIDA - Dade & Broward Counties:	_____	NEW YORK - Rest of State:	_____
FLORIDA - Rest of State:	_____	NORTH CAROLINA:	_____
GEORGIA:	_____	NORTH DAKOTA:	_____
HAWAII:	_____	OHIO:	_____
IDAHO:	_____	OKLAHOMA:	_____
ILLINOIS - Cook County:	_____	OREGON:	_____
ILLINOIS - Dupage, Lake & Will Counties:	_____	PENNSYLVANIA - Philadelphia County:	_____
ILLINOIS - Rest of State:	_____	PENNSYLVANIA- Montgomery, Delaware & Allegheny Counties:	_____
INDIANA:	_____	PENNSYLVANIA - Rest of State:	_____
IOWA:	_____	RHODE ISLAND:	_____
KANSAS:	_____	SOUTH CAROLINA:	_____
KENTUCKY:	_____	SOUTH DAKOTA:	_____
LOUISIANA:	_____	TENNESSEE:	_____
MAINE:	_____	TEXAS - Harris County:	_____
MARYLAND:	_____	TEXAS - Rest of State:	_____
MASSACHUSETTS- Suffolk County:	_____	UTAH:	_____
MASSACHUSETTS - Norfolk & Middlesex Counties:	_____	VERMONT:	_____
MASSACHUSETTS - Rest Of State:	_____	VIRGINIA:	_____
MICHIGAN - Wayne County:	_____	WASHINGTON:	_____
MICHIGAN - Oakland & Macomb Counties:	_____	WEST VIRGINIA:	_____
MICHIGAN - Rest of State:	_____	WISCONSIN:	_____
		WYOMING:	_____
		TOTAL REPS:	_____

THE FINANCIAL SERVICES INSURANCE PROGRAM

SUPPLEMENTAL FINANCIAL CRISIS QUESTIONS

INSTRUCTIONS: Print **Applicant's** name below. Please provide complete explanations to any "Yes" answers below. Sign and date the supplemental application.

<i>Applicant:</i>
1. Has Applicant sold or have Applicant's ' clients invested in auction rate securities? If yes, how much? Have Applicant's clients experienced difficulties redeeming them due to current market conditions? How much remains unredeemed?
2. Have Applicant's clients experienced liquidity issues or other problems with any Reserve Management mutual funds? If yes, how much of Applicant client's funds remained unredeemed? How much money have Applicant clients lost?
3. Has Applicant sold or have Applicant's ' clients invested in Oppenheimer Champion Income Fund, Evergreen Ultra-Short Opportunities Fund, Schwab Yield Plus Fund, Lehman Brothers structured notes or other securities with substantial losses due to sub prime mortgages or the recent credit crises? If yes, how much did Applicant's clients invest? How much did they lose?
4. Has Applicant sold or have Applicant's ' clients invested in securities backed by sub prime mortgages or other investments now experiencing difficulties (e.g. CMO's, CDO's) due to current market conditions? If yes, how much did Applicant's clients invest? How much did they lose?
5. Has Applicant sold or have Applicant's ' clients invested in any limited partnerships, REIT's or 1031 exchanges, or other alternative investments that have become insolvent, gone into bankruptcy, admitted financial difficulties, or admitted to difficulties in making distributions (e.g. DBSI or Provident)? If yes, how much did Applicant's clients invest? How much did they lose?
6. Has Applicant sold or have Applicant's ' clients invested in any products originated by Bernald L. Madoff , whether directly or via fund of fund originators such as Fairfield Greenwich Advisors, Tremont Capital Management or Maxam Capital Management? Or by Robert A. Stanford, Stanford International Bank, Stanford Group Company and Stanford Capital; or by Marc Drier or James Nicolson? Or by Mark Bloom or North Hills Fund; or by Paul Greenwood, Stephen Walsh, WG Trading Company, WG Trading Investors Co., or Westridge Capital Management, Inc? If yes, how much did clients invest? How much did they lose?
Additional information relating to the above questions:

Date: _____

Signed: _____

THE FINANCIAL SERVICES INSURANCE PROGRAM

CLAIM INFORMATION FORM

Directions. Use a separate form for each claim or suit brought against you and for each incident or fact situation that might reasonably result in such a claim or suit against you.

1. Applicant Name (list all potential insureds involved in claim): _____			
2. Name and Address of Claimant:		3. Age	4. Sex
5. Claim Allegations, Incident or Fact Situation: 			
6. Date of Incident or Alleged Wrongful Act:		7. Date Claim Made Against Applicant :	
8. Was Applicant insured? <input type="checkbox"/> Yes <input type="checkbox"/> No	8a. If "Yes", Name of Insurer:	8b. Date Reported to Insurer:	
9. Additional Defendants:		10. Location of Incident:	
11. Current Status of Claim or Incident (Open, Closed Without Payment, Settled With Payment to Claimant):		12a. If Open, Total Reserve or Estimate of Ultimate Liability: \$ _____ 12b. If Open, Reserve or Estimate of Ultimate Liability for Applicant : \$ _____	
13a. If Closed, Total Amount of Settlement or Judgment: \$ _____			
13b. If Closed, Amount Paid By or on Behalf of Applicant : \$ _____			
The following should be answered in adequate detail to allow proper evaluation. Attach relevant copies of Claimant's file and any correspondence relating to the claim or incident including, without limitation, copies of any legal pleadings, lawyer status reports, insurance company letters, any legal evaluations by experts or attorneys. Submit sufficient information to fully explain the claimant's case and Applicant's defense. Attach additional sheets as required.			
14. Dates and Descriptions of Services Provided and/or Products Sold to Claimant: 			
15. Nature and Description of Problem: 			
I understand that the information submitted herein becomes part of Applicant's Professional Liability Insurance Application . Date: _____ Signed: _____ Print Name and Title: _____			