

THE FINANCIAL SERVICES INSURANCE PROGRAM

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

Administered by:

ProSurance Group, Inc. (650) 428-0818 Tele.
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Mountain View, California 94043
License # 0B53955

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 *Renewal Application*.
- Application* refers, individually and collectively, to this *Renewal Application* for Insurance, any Supplemental *Application* attached hereto and any other information supplied in connection with this *Application*.
- Company* refers to the insurance company underwriting this insurance.

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 policy. If *Applicant* has any questions concerning this coverage, please contact *Applicant's* insurance professional.

THE UNDERSIGNED, FOR AND ON BEHALF OF *APPLICANT*, HEREBY MAKES *APPLICATION* FOR CLAIMS-MADE AND REPORTED SECURITIES BROKER/DEALER PROFESSIONAL LIABILITY INSURANCE, AND IN CONNECTION THEREWITH FURNISHES *COMPANY* THE FOLLOWING INFORMATION.

I. Applicant.		
1a. Broker/Dealer Name:	CRD Number	Employer Identification Number
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. List each "affiliate" (any business or entity either owning or owned by <i>Applicant</i> or controlled, directly or indirectly, by <i>Applicant</i> , its parents, subsidiaries, officers, directors, members, or employees): (i) which is new since last year's Application, listing its ownership, relationship to <i>Applicant</i> and its business, and indicating, by "yes" or "no", whether it should be insured under the renewal policy; or (ii) which was previously listed but not insured under <i>Applicant's</i> policy, but for which insurance is now being requested. Use the S.I.F. if more space is needed.		

II. REQUESTED PROFESSIONAL LIABILITY INSURANCE COVERAGE.		
2a. <i>Company</i> offers Limits of Liability that cover each wrongful act, with an annual per registered representative aggregate and an annual policy aggregate. Indicate the Each Wrongful Act / Each Registered Representative Annual Aggregate / Annual policy Aggregate Limits of Liability for which <i>Applicant</i> is applying:		
<input type="checkbox"/> \$100,000/\$100,000/\$200,000	<input type="checkbox"/> \$500,000/\$500,000/\$1,000,000	<input type="checkbox"/> \$1,000,000/\$1,000,000/\$3,000,000
<input type="checkbox"/> \$250,000/\$250,000/\$500,000	<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/\$1,000,000	<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/\$2,000,000	<input type="checkbox"/> \$1,000,000/\$1,000,000/\$2,000,000	<input type="checkbox"/> \$3,000,000/\$3,000,000/\$5,000,000
2b. Requested Self-Insured Retention:		
<input type="checkbox"/> \$5,000	<input type="checkbox"/> \$25,000	<input type="checkbox"/> \$100,000
<input type="checkbox"/> \$10,000	<input type="checkbox"/> \$50,000	
(Any requested increase in the Limits of Liability or decrease in Retention would apply to wrongful acts occurring on and after the effective date of the renewal policy.)		

III. OTHER CURRENT INSURANCE. (Use the S.I.F. if additional space is needed.)				
3a. Directors & Officers Liability Insurer:	Premium: \$ _____	Limits per Occurrence/Aggregate:*	Deductible: \$ _____	
Initial Effective Date: (Month/Day/Year) / /	Expiration Date: (Month/Day/Year) / /	Type: <input type="checkbox"/> Claims-Made <input type="checkbox"/> Occurrence <input type="checkbox"/>	Retroactive Date: (If claims-made) / /	Policy Number: _____
3b. Fidelity Bond Insurer:	Premium: \$ _____	Limits per Occurrence/Aggregate:*	Deductible: \$ _____	
Initial Effective Date: (Month/Day/Year) / /	Expiration Date: (Month/Day/Year) / /	Type: <input type="checkbox"/> Claims-Made <input type="checkbox"/> Occurrence	Retroactive Date: (If claims-made) / /	Policy Number: _____
3c. Life Insurance Professional Liability Insurer:	Premium: \$ _____	Limits per Occurrence/Aggregate:*	Deductible: \$ _____	
Initial Effective Date: (Month/Day/Year) / /	Expiration Date: (Month/Day/Year) / /	Type: <input type="checkbox"/> Claims-Made <input type="checkbox"/> Occurrence	Retroactive Date: (If claims-made) / /	Policy Number: _____
*If different Limits, specify on the S.I.F.				

IV. SALES FORCE.				
4a. Number of Registered Representatives:				
	<u>Full Time</u>	<u>Part Time</u>	<u>Other*</u>	<u>Total**</u>
Prior Year: (19__):	_____	_____	_____	_____
This Year: (19__):	_____	_____	_____	_____
Next Year: (19__):	_____	_____	_____	_____
*Give number and description of each kind (e.g., "2 non producer back office")				
**List by geographical location on Exhibit I. In addition, provide a full list of representatives as of the date of <i>Application</i> .				
4b. Number of offices of supervising jurisdiction: _____				

V. REVENUE, PRODUCTS AND SERVICES. (On a consolidated basis for the Broker/Dealer, its parents, subsidiaries and affiliates for which insurance is requested.)					
5a. Total Revenue					
	Prior Year: (20__)	\$ _____			
	This Year: (20__)	\$ _____			
	Next Year: (20__)	\$ _____			
5b. 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%	
5c. Split <i>Applicants</i> current year's commission income into percentages by the products listed below:					
TOTAL STOCKS:	_____%	DERIVATIVES:	_____%	TOTAL LIMITED PARTNERSHIPS:	_____%
Listed: _____%		COMMERCIAL PAPER,		Registered: _____%	
Unlisted: _____%		REPURCHASE AGREEMENTS,		Unregistered: _____%	
Penny: _____%		OTHER SHORT INVESTMENTS:	_____%	Proprietary: _____%	
TOTAL BONDS:	_____%	OPTION CONTRACTS:	_____%	TOTAL ANNUITIES:	_____%
Investment Grade: _____%		(Stocks, index, etc.)		Variable: _____%	
"Junk": _____%		FUTURES CONTRACTS:	_____%	Other: _____%	
UNREGISTERED STOCKS		(Commodities, currency etc.)		LIFE, HEALTH, DISABILITY INSURANCE:	_____%
& BONDS:	_____%	MUTUAL FUNDS:	_____%	Fixed Life Insurance: _____%	
		Hedge Funds: _____%		Variable Life Insurance: _____%	
		Other Than Hedge Funds: _____%		Health & Disability	
				Insurance: _____%	
				OTHER (Specify on S.I.F.):	_____%
				TOTAL:	100%

5d. Split **Applicant's** current year's fee income into percentages by the following categories:

Financial Planning Services:	_____ %	Pension Fund Consulting or Administration:	_____ %
Wrap Account Fees:	_____ %	Benefit Consulting or Administration:	_____ %
Money Management (Non-discretionary):	_____ %	Other (Describe): _____	_____ %
Money Management (Mutual Fund Asset Allocation under a Limited Power of Attorney):	_____ %		
Money Management (Full Discretion):	_____ %	Total:	100%

VI. SECURITIES.

6a. What Percentage of accounts are Margin Accounts? _____ %

6b. In what percentage of the accounts does the Broker / Dealer or a registered representative have discretionary authority? _____ %

VII. CLAIMS AND COMPLAINTS.

7a. Since last year's Application, has any new 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? List those claims on the S.I.F. If those claims haven't already been reported to us, 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. Yes No

7b. 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, and which was not disclosed on last year's Application? Yes No
If "yes", complete a Claim Information Form for each such incident or fact situation.

7c. Is **Applicant** involved in or aware of any fee dispute with a client? If "yes", explain on the S.I.F. Yes No

7d. 1. List the number of notices, letters and complaints received by the Compliance Department and the amount paid in settlement.

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

2. If not already reported to us on a previous Application, fill out a Claim Information Form for all claims settled / adjudicated during the last two years involving monetary settlements of \$2,500 or more, or if unsettled, demands in excess of \$2,500.

7e. Indicate on a Claim Information Form the present status of any claim, suit or arbitration (or incident that could lead to a claim) that was reported on last year's Application and which was not already settled at the time of last year's Application.

VIII. DISCIPLINARY ACTION.

Since last year's Application, has **Applicant** or any of **Applicant's**, officers, directors, partners, employees, independent contractors, securities principals, registered representatives or insurance agents:

8a. Had any professional license or registration denied, suspended, revoked, non-renewed or restricted in any way? Yes No

8b. Been disciplined, fined, or suspended by the SEC, NASD, 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 such registered representative, etc. Yes No

8c. Had any complaint filed against it/him/her with a consumer agency, the SEC, NASD, a state insurance, corporations or securities department or other regulatory body? Yes No

8d. Been formally accused of violating any professional association's code of ethics? Yes No

8e. Been convicted of a criminal offense other than minor traffic violations? Yes No

8f. Had any contract with an insurance company or others suspended, terminated, non-renewed or restricted for cause? Yes No

If any of the foregoing is answered "yes", give full details on the S.I.F., including disciplinary and corrective action taken.

IX. MISCELLANEOUS. If the answer to any of the following questions is "yes", give full details on the S.I.F.

9a. Since last year's Application, has **Applicant** or any of its parents, subsidiaries or affiliates, or any of its directors, officers, partners, employees, independent contractors or registered representatives, had a professional liability 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? Yes No

9b. Does **Applicant**, or any of its officers, directors, partners, employees or independent contractors practice any other profession or engage in any other business which was not disclosed on last year's Application? Yes No

9c. Have there been any changes in **Applicant's** business since last year's Application or are any anticipated this year (e.g., acquisition or merger, opened new office, changed life company representation, hiring practices, operating or due diligence procedures, marketing strategy or plans, training programs, products or services offered)? Yes No

9d. Is there any additional information material to this **Application** that has not otherwise been disclosed? Yes No

X. ADDITIONAL REQUIRED INFORMATION.

10a. Attach a copy of each of the following:

1. The most recent audited financial statements for the broker-dealer (Form X-17A-5) and each affiliate seeking coverage. If audited statements are unavailable, explain and send unaudited statements.
2. The most recent 10-K and the last three 10-Q's filed with the SEC.
3. Four most recent focus reports.
4. Most recent SEC, NASD, state corporation, securities and insurance department or other regulatory agency audits conducted and / or reported since last year's Application and *Applicant's* response.

10b. Please attach of copy of any of the following documents which have been revised, updated or issued in the last year:

1. Form BD.
2. Form ADV (Parts I & II).
3. U4's for the officers, directors, partners and securities principals of *Applicant*.
4. Client account contract forms and new account application forms.
5. Financial planning contract forms, if such services are offered.
6. Money management contracts, and limited power of attorney, if such services are offered.
7. Wrap account contracts, if such services are offered.
8. Registered representative contracts.
9. Corporate brochures.
10. Advertisements run within the last year.
11. A list of approved investment securities.
12. A list of approved life insurance products and companies.

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. The Claim Information Forms, if any, that are attached to this *Application* include the details of: (a) all new claims and suits which have been brought against *Applicant*; (b) all new 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, and (c) updates on previously reported / open claims / incidents.
3. 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 or statements of representatives or brokers, will determine actual insurance coverage.
4. 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*.
5. 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.
6. *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.
7. *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 VII and VIII of this *Application*) while this *Application* is pending and throughout the term of any policy issued by *Company*.

APPLICANT NAME: _____ BY: _____ Date: _____

PRINT NAME AND 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.

RENEWAL 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.
2. Attach a completed Claim Information Form for each new claim or suit brought against **Applicant**, and for each new fact situation or incident that may reasonably result in such a claim or suit. Also, update information on claims / incidents reported on previous applications and which had not been resolved at the time of the application.
3. Review Article X 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 a list, by name, of all registered representatives as of the date of the **Application**.
6. Sign and date the **Application**.
7. Mail the **Application** to ProSurance Group, Inc. at the address shown above.



EXHIBIT I

**REGISTERED REPRESENTATIVES
BY STATE & TERRITORY OF DOMICILE**

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

TOTAL REPS: _____

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PS. We will also need a current list of your representatives by name.

THE FINANCIAL SERVICES INSURANCE PROGRAM

CLAIM / INCIDENT INFORMATION FORM

INSTRUCTIONS. Use a separate form for each claim or suit and for each incident or fact situation that might reasonably result in such a claim or suit against you or any other prospective insureds under the policy .

Indicate whether **Initial Report** or **Update From Last Application**.

1. <i>Applicant</i> Name (list all potential insureds involved in the claim or incident): _____			
2. Name and Address of Claimant or injured client :		3. Age	4. Sex
5. Claim Allegations, Incident or Fact Situation: _____ _____			
6. Date of Incident or Alleged Wrongful Act:		7. Date Claim Made Against <i>Applicant</i> :	
8. Was <i>Applicant</i> 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 <i>Applicant</i> : \$_____	
13a. If Closed, Total Amount of Settlement or Judgment: \$_____			
13b. If Closed, Amount Paid By or on Behalf of <i>Applicant</i> : \$_____			
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, and any legal evaluations by experts or attorneys. Submit sufficient information to fully explain the claimant's case and <i>Applicant's</i> 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 <i>Applicant's</i> Professional Liability Insurance <i>Application</i> .			
Date: _____		Signed: _____	
Print Name and Title: _____			