

SEABURY & SMITH

1255 23rd Street NW • Suite 300 • Washington, DC 20037
Toll Free: 1-800-978-6273 Fax: (202) 367-5020
www.seaburyandsmith.com

SECURITIES BROKER-DEALER ERRORS & OMISSIONS LIABILITY INSURANCE APPLICATION

NOTICE: THE POLICY FOR WHICH THIS APPLICATION IS MADE APPLIES, SUBJECT TO ITS TERMS, ONLY TO "CLAIMS" FIRST MADE DURING THE "POLICY PERIOD," OR, IF PURCHASED, ANY EXTENDED REPORTING PERIOD. THE LIMIT OF LIABILITY AVAILABLE TO PAY DAMAGES OR SETTLEMENTS WILL BE REDUCED BY "DEFENSE EXPENSES," AND "DEFENSE EXPENSES" WILL BE APPLIED AGAINST THE DEDUCTIBLE.

PLEASE READ THE ENTIRE APPLICATION CAREFULLY BEFORE SIGNING.

1. Name of Applicant: _____
Business Address: _____
City: _____ State: _____ ZIP: _____
2. State of Domicile: _____ State of Incorporation: _____
3. Date the Applicant commenced operations: _____
4. Does the applicant have a parent (ownership of more than 50% of the applicant)? Yes No
If "Yes", please supply full details and attach the parent's latest audited annual financial statements.
5. a) Number of Branches: _____ How many of these are Offices of Supervisory Jurisdiction? _____
b) Does the applicant clear its own trades? Yes No
If no, please identify the name and address of the clearing firm and describe the applicant's relationship with this clearing firm.
6. a) Number of Registered Representatives:
(i) Full-time Producers: _____ (ii) Part-time Producers: _____
(iii) Other (back offices): _____ (iv) Total: Current Year: _____ Prior Year: _____
b) Anticipated growth over the next 12 months: _____
c) Registered Representative Employment Status: (i) Number of Independent contractors: _____
(ii) Number of Employees: _____
7. Is the Applicant or any of its Registered Representatives a registered investment advisor? Yes No
If "Yes", please attach copies of FORM ADV Part I and II and answer the following:
a) Number of Registered Representatives using the Corporate RIA: _____

b) Does the applicant allow Registered Representatives to hold individual RIA designations? Yes No
 If "Yes", please indicate the number of representatives who are dually licensed and the procedures in place to monitor these activities. _____

c) What types of Investment Advisory/Management Services are provided by the RIAs? (Please indicate if any accounts are being handled on a discretionary basis.): _____

8. Please indicate the Applicant's principal business (e.g., discount brokerage, full service brokerage), including distribution system used (e.g., financial institutions): _____

9. Percent of Revenue by Service:

Securities Brokerage:	_____ %	Fee Based Financial Planning:	_____ %
*Wrap Fees/Asset Allocation:	_____ %	Bank Marketing Programs:	_____ %
*Employee Benefit Plans:	_____ %	Other:	_____ %

**If service is being provided in these areas, please describe fully. Attach a separate sheet if necessary.*

10. a) Annual commission revenues for all products (including life insurance and annuities sales through any affiliated insurance agency): _____

b) State percent of commission revenues which are derived from the following: (Total must equal 100%)

Listed Stocks/Bonds	_____ %	Variable Annuities	_____ %	Unlisted Stocks	_____ %
Options	_____ %	Life Insurance	_____ %	Unregistered Stocks/Bonds	_____ %
Commodities	_____ %	Mutual Funds	_____ %	Short Sales of Stock	_____ %
Penny Stocks (unlisted securities trading less than \$5)	_____ %	Short Option Trades	_____ %		
REITS	_____ %	Limited Partnerships: Proprietary	_____ %	Non-Proprietary	_____ %
Private Placements	_____ %	Other (Please specify)	_____ %		_____ %

11. a) Total number of securities brokerage accounts: _____ b) Average dollar trade: \$ _____
 c) What percent are margin accounts? _____ % d) What percent are discretionary accounts? _____ %
 e) What percent are individual? _____ % Corporate? _____ % Institutional? _____ %

12. a) Has the Applicant been involved in any merger and/or acquisition during the past three years? If "Yes", attach full details. Yes No

b) Has the Applicant revealed publicly that it is involved in any pending or proposed merger and/or acquisition? If "Yes", attach full details. Yes No

13. a) How often are audits conducted in all off-site branch offices? _____

b) Describe disciplinary measures taken when there is a violation of compliance guidelines: _____

c) Describe any procedures the applicant has for monitoring product suitability after the initial purchase.

d) For what products or services is a disclosure statement required to be signed by the customer? _____

e) Describe your business and/or trading activities that are conducted over the Internet, such as internet trading, advertising and/or web sites. _____

f) Please provide internet addresses used for such activities on a separate sheet.

14. a) How many complaints, arbitration claims, complaint letters or notices of any kind have been received in the past three years by the applicant? _____

b) With respect to any such complaints, arbitration claims, complaint letters or notices that has resulted in or is reasonably expected to result in a loss (including defense expenses) in excess of \$5,000, attach full details, including name of claimant(s) and registered representative(s) involved; date of notice, letter, complaint or claim; nature of allegations; type of investment at issue; damages alleged; amount of defense expense paid; and outcome, including amount of award or settlement (attach a separate sheet if necessary): _____

c) Describe disciplinary measures taken against any Registered Representative with multiple customer complaints: _____

d) Has any of the applicant's Registered Representatives answered "yes" on any portion of question 14 on the Form U-4? Yes No
If "Yes", attach full details, along with a copy of Form U-4.

e) What are Applicant's hiring procedures if a Registered Representative has answered yes to any portion of question 14 on the Form U-4? _____

15. Has any Registered Representative been terminated for cause within the past twelve months? Yes No
If "yes", attach full details.

16. Has the firm hired any Registered Representatives subject to statutory disqualification? Yes No

If "yes", attach full details.

17. a) Please give details of Securities Broker/Dealer's Errors & Omissions Insurance for the last five years:

Insurance Company	Policy Period	Limit of Liability	Deductible	Premium
_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	\$ _____

Retroactive date on current policy: _____

b) Have any of the Applicant's professional liability insurance carriers indicated an intent not to offer renewal terms? Yes No

If "Yes", please attach details.

c) Is coverage for Limited Partnerships provided on your current policy? Yes No

If "Yes", please provide policy details, including retroactive date for this coverage.

18. Attach copies of the following:

- a) Securities Broker/Dealer's latest audited report, as well as latest 10-K filed with the SEC (if publicly traded).
- b) Written policy and procedure manuals utilized for supervising activities of Registered Representatives and Registered Investment Advisors.
- c) Latest four quarterly Focus Part II reports as filed with regulatory bodies.
- d) Copy of the most current BD form filed with the SEC.
- e) List of approved products for sale by Securities Broker/Dealer's Registered Representatives, including approved life insurance companies and their products.
- f) Securities Broker/Dealer's "due diligence" guidelines for approving investment vehicles to be sold.
- g) Latest Regulatory Exam and Management Response.
- h) In-house newsletters, brochures, and marketing information provided to Registered Representatives.

19. Name of general counsel or name and address of outside law firm acting as general counsel: _____

20. a) What percentage of client agreements contains arbitration clauses? _____ %

Please attach sample wording from standard agreements.

b) Is this arbitration clause ever deleted from the client agreement? Yes No

If "Yes", from what percentage of agreements is it deleted? _____ %

c) Under what circumstances is the arbitration clause deleted? _____

21. a) Has any Professional Liability claim been made during the past five years against the applicant or any Registered Representative, whether or not covered by insurance? Yes No

If "Yes", give full particulars of each claim on a separate page.

21. b) Does the Applicant or any of its Partners, Directors, Officers, Employees or Registered Representatives have any knowledge or information of any circumstances (e.g. the insolvency or the potential insolvency of any investment sold by the Applicant) or any allegations or contentions of any incident which might result in a professional liability claim against any of them? Yes No

If "Yes", give full particulars of each on a separate page.

PLEASE READ THE FOLLOWING CAREFULLY

Warning – New York Residents

Any person who, knowingly and with intent to defraud any insurance company or other person, files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed \$5,000, and the stated value of the claim for each such violation.

Fraud Prevention – Florida Warning

Any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony in the third degree.

Fraud Prevention – Colorado Warning

It is unlawful to knowingly provide false, incomplete or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies.

For Kentucky, Minnesota, Pennsylvania and Ohio residents only: Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

I have read the foregoing application of insurance, including supplement sheets, and warrant that the responses provided on behalf of the applicant are true and correct, and that no material facts have been mis-stated or suppressed. All written statements and materials furnished in conjunction with this application are hereby incorporated by reference into this application and made a part thereof.

This application does not bind the applicant to buy, nor the company to issue the insurance, but is agreed that this application shall be the basis of the contract should a policy be issued, and will be attached to and made a part of the policy.

The applicant further declares that if the information supplied on this application changes between the date of this application and the time when the policy is issued, the applicant will immediately notify Paragon International Insurance Brokers Limited of the changes, and that the company may withdraw or modify any outstanding quotations and/or authorization or agreement to bind the insurance.

APPLICANT		
BY (Chairman and/or President)	TITLE	DATE

Please mail or fax the completed Application to:

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