

UNDERWRITTEN IN FEDERAL INSURANCE COMPANY OR
VIGILANT INSURANCE COMPANY

Please answer all of the following inquiries. If the COMPANY agrees to issue a Bond, all of the information which the Applicant provides will become part of any bond issued to the Applicant by Federal Insurance Company or Vigilant Insurance Company. Any intentional misrepresentation, omission, concealment or incorrect statement of a material fact in this APPLICATION will be grounds for rescision.

Please note: The term "Applicant" as used in this APPLICATION refers to all entities for which coverage is desired. It is agreed that coverage is desired for the First Named Assured and those entities listed on the Schedule of Additional Named Assured.

A. GENERAL INFORMATION

1. a. Name of First Named Assured:

b. Address of First Named Assured:

2. Please complete the Schedule of Additional Named Assured under Section L.

3. Name of Agent: _____

4. a. With respect to ownership, is the Applicant:

(1) a publicly owned corporation? YES NO

(2) a privately owned corporation? YES NO

(3) a partnership? YES NO

(4) Other? **If yes**, please provide, on a separate sheet, full details. YES NO

b. Does any individual or organization own more than ten (10%) percent of the firm? YES NO

If yes, please attach a schedule listing the names and ownership percentage of those individuals or organizations.

c. Has there been any change of control, merger, purchase or acquisition of assets or liabilities within the previous three (3) years? YES NO

If yes, please attach a schedule indicating the transfer(s) made, date(s), and individual(s) or organizations involved.

5. Please indicate what percentage of the Applicant's revenues are derived from the following operations:

- | | | | |
|----------------------------|-------|-----------------------------|-------|
| a. Broker/Dealer | _____ | c. Arbitrage | _____ |
| b. Investment Advisory: | _____ | d. Commodities | _____ |
| (1) Mutual Fund Management | _____ | e. Mergers and Acquisitions | _____ |
| (2) Pension Management | _____ | f. Underwriting | _____ |
| (3) Trust Management | _____ | g. Other | _____ |
| (4) Other | _____ | | |

(If necessary, please provide, on a separate sheet, full details, including scope of services and percentage of revenues derived from such other activity.)

6. Please list the names of exchanges, trade associations or trade organizations of which the Applicant is a member:

B. STATISTICS

With respect to the Applicant, please provide the total number of:

- | | | | |
|---------------|-------|-------------------|-------|
| 1. Employees | _____ | 2. Branch Offices | _____ |
| (1) Sales | _____ | | |
| (2) Cage | _____ | | |
| (3) Audit | _____ | | |
| (4) All Other | _____ | | |
| Total | _____ | | |

C. SECURITIES

1. Please indicate the MAXIMUM value of securities held at the Applicant's:

- | | | |
|---------------------|---------------------|-------------------------|
| a. Head Office | Negotiable \$ _____ | Non-Negotiable \$ _____ |
| b. Branches (total) | Negotiable \$ _____ | Non-Negotiable \$ _____ |

2. How many employees have access to securities in the cage? _____

3. Has any one employee sole authority to withdraw from, or deposit securities in, the cage on your premises or at a bank depository? YES NO

4. Is access to the cage area and/or cashier's department strictly limited to employees who are regularly assigned to the cage or cashier's department? YES NO

5. Are employees required to sign in and out of the cage area? YES NO
6. How often are all securities physically counted and verified with stock or bond records? _____
7. Is this verification performed by employees other than those whose duties involve handling securities? YES NO
8. Do you use facsimile signature machines to sign securities? YES NO

If yes:

- a. who has custody? _____
- b. is access to the machines and their use restricted? YES NO
- c. where are the machines kept at night? _____

9. Please indicate the MAXIMUM amount of securities in transit at any one time with:

- | | | |
|--|---------------------|-------------------------|
| a. a single employee | Negotiable \$ _____ | Non-Negotiable \$ _____ |
| b. two employees | Negotiable \$ _____ | Non-Negotiable \$ _____ |
| c. a contracted messenger service | Negotiable \$ _____ | Non-Negotiable \$ _____ |
| d. an armored car | Negotiable \$ _____ | Non-Negotiable \$ _____ |
| e. a transportation company not using an armored car | Negotiable \$ _____ | Non-Negotiable \$ _____ |

10. Are certificates microfilmed both when entering and on leaving your premises? YES NO

If no, please explain procedures: _____

11. Do you participate in any system(s) for the central handling of securities? YES NO

If yes, please list the Name(s) and Location(s) of each system below:

Name	Location
_____	_____
_____	_____

D. AUDITING PRACTICES

1. With respect to External Audits:

- a. Have you made provisions for an annual audit to be conducted by an outside certified public accountant (CPA)? YES NO
- b. Has the CPA rendered an unqualified opinion for each of the previous three (3) years? YES NO
- c. Has there been any change in the CPA used by the Applicant in the previous three (3) years? YES NO

If yes, please provide, on a separate sheet, full details.

d. Have you complied with all recommendations made as a result of your most recent audit? YES NO

If no, please attach a schedule explaining any noncompliance with such recommendations.

e. Do you plan any change in the audit program? YES NO

f. Does the CPA report directly to the Board of Directors or Partners? YES NO

g. Are all locations included in the audit? YES NO

2. With respect to Internal Audits:

a. Does the Applicant employ an internal staff auditor? YES NO

If yes, is the staff auditor's position full-time? YES NO

b. Does this Auditor report directly to the Board of Directors or Partners? YES NO

c. Does the audit department conduct an annual surprise audit at all locations? YES NO

d. Please indicate the number of full-time employees assigned to the audit department. _____

e. Has the Applicant met the scope and objectives of the formalized internal audit plan during the previous two (2) years? YES NO

If no, please provide, on a separate sheet, full details.

3. Please give the dates of the last three (3) regulatory exams and indicate what authority performed each exam:

Date: ____ / ____ / ____ Date: ____ / ____ / ____ Date: ____ / ____ / ____

Authority: _____

4. During the previous three (3) years, have you complied with all criticism made by the Securities Exchange Commission and/or any state, federal or exchange authority? YES NO

If no, please provide, on a separate sheet, full details.

E. ORGANIZATION & INTERNAL CONTROL

1. Please indicate if the Applicant maintains written procedures covering the following:

a. Account initiation and maintenance? YES NO

b. Trade initiation and trade ticket execution? YES NO

c. Equity and fixed income trading operations? YES NO

d. Reconciliation of all trades? YES NO

e. Control of stock transfer and cashiering? YES NO

f. Physical custody and safekeeping? YES NO

g. Data processing operations? YES NO

- h. Code of ethics? YES NO
- i. Internal audits? YES NO
- j. Investment advisory operation? YES NO

2. With respect to "in-house" checks:

- a. At what dollar amount do you require dual signatures? \$ _____
- b. Are check signing machines used? YES NO

If yes, please describe, on a separate sheet, controls over signature plates to prevent misuse.

- c. Is dual control established and maintained for the handling of the reserve supply of official checks? YES NO

3. With respect to Customer Accounts:

- a. Is a new account application completed for all new customers? YES NO
- b. Is the information on the new account application verified prior to opening an account for a customer? YES NO

If yes, please provide, on a separate sheet, full details.

- c. Do you require approval of the new account application by a senior officer when the information in a. and b. above is complete and prior to commencing trading? YES NO

- 4. Are registered owners of stocks and bonds required to sign any such instrument in the presence of an officer or employee before they are accepted for transfer? YES NO

- 5. Are customers who discover discrepancies in their accounts instructed to write or telephone a designated employee who has no other duties in connection with customer transactions? YES NO

- 6. Are customers requesting address changes required to do so in writing? YES NO

- 7. Are such requests verified at both the old and new addresses of the customer? YES NO

- 8. Number of Discretionary Accounts: _____ and _____% of the total number of accounts as of: ____/____/____.

- 9. a. Number of Margin Accounts: _____ and _____% of the total number of accounts as of: ____/____/____.

- b. Outstanding total dollar balance due from Margin Customers. \$ _____

10. When is any account considered inactive? _____

11. What controls are there for inactive accounts?

F. BANK ACCOUNTS

1. Are monthly bank statements and cancelled checks examined and reconciled to general books and cash disbursement records by persons other than those who keep such books and records? YES NO
2. Do you have a specific agreement with your bank as to who in your firm is authorized to transfer funds, request changes in procedures or arrangements, obtain records or otherwise handle dealings on the firm's behalf? YES NO
3. Who is authorized to add or delete names to that agreement?
- _____

G. PERSONNEL

1. a. Briefly outline your investigations and verifications of prospective employees prior to their employment. If necessary, please attach a separate sheet.
- _____
- _____
- b. Are all such prospective employees subject to the same review? YES NO
- If no, please explain:
- _____
2. Are registered representatives permitted to work part-time for any other firm? YES NO
3. Are employees required to annually agree in writing that they have read the Applicant's ethics code and are abiding by said code? YES NO
- If yes, what level(s) of employees are required to do so?
- _____
4. Are employees' and officers' accounts segregated and reviewed for unusual activity? YES NO
- a. Do these accounts require specific approval by an independent designated senior officer prior to each trade? YES NO
- b. Are employees and officers permitted to trade on margin for their own account? YES NO
5. Do you require annual vacations of at least 2 consecutive weeks for all employees? YES NO

H. DATA PROCESSING

1. Are passwords used to afford varying levels of entry to the DP system depending on the need and authorization of the user? YES NO
- a. If yes, how often are passwords changed? _____
- b. Are they changed when an employee is terminated or moved to a new area? YES NO

- 2. Are all programmers prohibited from entering the DP area? YES NO
- 3. Are there at least two (2) employees on duty during any DP shift? YES NO
- 4. Is access to DP premises restricted to authorized personnel only? YES NO
- 5. Is your DP system programmed to detect unusual account activity? YES NO
- 6. Is the output reconciled by persons who did not prepare the input or handle the processing? YES NO
- 7. Do you have a full continuous DP audit program in operation? YES NO

If not, please indicate the scope of the current DP audit:

- 8. Do you have a disaster recovery program? YES NO

If yes, has it been tested?

YES NO

- 9. If Computer System Coverage is desired, please list the Name(s) and Function(s) of each system below:

Name	Function
<hr/>	<hr/>
<hr/>	<hr/>

I. LOSS EXPERIENCE

- 1. a. Have you at any time during the past three (3) years put your insurance carrier on notice of any potential or actual losses under your bond program? YES NO

If yes, please provide, on separate sheet, full details.

- b. If you have not had a bond at any time during this period, have there been any losses that would have been submitted under a bond program if you had such bond? YES NO N/A

- 2. Please summarize any litigation/legal action settled within the past three (3) years or now pending that is not listed in question 1. immediately above, or any action which you have reason to anticipate may be filed against you or any director, partner, officer or employee which would be a subject of coverage under a bond program.

If necessary, please attach a separate sheet providing such information. If not, please check NONE.

J. OTHER INFORMATION

1. Have you any knowledge of, or information concerning, any occurrence or circumstance that may materially affect this proposal other than I.2. above?

YES NO

If **yes**, please explain:

2. Please attach the following information with this completed APPLICATION:

- a. Most recent Focus Report.
- b. Most recent Fiscal Year Audited Financial Statement.
 - (1) CPA Letter of Recommendation to Management.
 - (2) Management's written response to CPA Letter of Recommendation.
- c. Most recent Annual Report.

K. REQUESTED COVERAGES

INSURING CLAUSES	LIMITS	DEDUCTIBLE AMOUNT
1. Dishonesty:		
A. Employee	\$ _____	\$ _____
B. Trade or Loan	\$ _____	\$ _____
C. Partner (if Partnership)	\$ _____	\$ _____
2. On Premises	\$ _____	\$ _____
3. In Transit	\$ _____	\$ _____
4. Forgery or Alteration	\$ _____	\$ _____
5. Extended Forgery	\$ _____	\$ _____
6. Counterfeit Money	\$ _____	\$ _____
7. Computer System	\$ _____	\$ _____
8. Facsimile Signature	\$ _____	\$ _____

L. SCHEDULE OF ADDITIONAL NAMED ASSURED

Name of Additional Assured	Date Created or Acquired	State of Incorp.	Percent of Ownership	Nature of Business	Domestic or Foreign	Name of Parent Institution	Financial Information for Most Recent Year End Total Revenues Total Assets (in Millions) Net Income	

This information is attached to and forms a part of the APPLICATION.

The undersigned persons declare that to the best of their knowledge the statements set forth above and in any attachments to this APPLICATION are true and correct, and that every reasonable effort has been made to obtain sufficient information to facilitate the proper and accurate completion of this APPLICATION. The undersigned agree that if any significant change in the condition of the Applicant is discovered between the date of this APPLICATION and the effective date of the Bond which would render this APPLICATION inaccurate or incomplete, notice of such change will be reported in writing to the COMPANY immediately and, if necessary, any outstanding quotation may be modified or withdrawn. The undersigned persons understand and further agree that the completion and signing of this APPLICATION neither binds the COMPANY to sell nor the Applicant to purchase the insurance.

PLEASE NOTE: ONLY DULY APPOINTED AGENTS OF THE COMPANY AND LICENSED BROKERS ARE AUTHORIZED TO SOLICIT APPLICATIONS FOR COVERAGE. AGENTS AND BROKERS ARE NOT AUTHORIZED TO BIND COVERAGE. NO COVERAGE SHALL BE PROVIDED UNLESS THE COMPANY ACCEPTS THE APPLICATION AND BINDS THE COVERAGE.

False Information:

Any person who, knowingly and with intent to defraud any insurance company or other person, files an Application for insurance containing any false information, or conceals for the purpose of misleading, information concerning any material fact thereto, commits a fraudulent insurance act, which is a crime.

False Information (Florida Only):

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 of the third degree.

False Information (Louisiana Only):

Any person who, knowingly and with intent to deceive any insurance company or other person, files an Application for insurance containing any false information, or conceals for the purpose of misleading, information concerning any material fact thereto, commits a fraudulent insurance act, which is a crime.

False Information (Nebraska Only):

Any person who, knowingly and with intent to defraud any insurance company or other person, files an Application for insurance containing any false information, or conceals for the purpose of misleading, information concerning any material fact thereto, commits a fraudulent insurance act, which is a crime, when such person subsequently submits a claim.

False Information (New York Only):

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

False Information (Pennsylvania Only):

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 material fact thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

False Information (Virginia Only):

Any person who, knowingly and with intent to defraud any insurance company or other person, files an Application for insurance containing any false information, or conceals for the purpose of misleading, information concerning any material fact thereto, commits a fraudulent act, which is a crime.

First Named Assured: _____

By _____
Signature of Chief Executive Officer
(or other Senior Officer if the Chief Executive Officer
is also the Chairman, Board of Directors)

By _____
Signature of Chairman, Board of Directors

Date _____

Date _____

A Bond cannot be issued unless the APPLICATION is properly signed and dated by the Chief Executive Officer (or other senior officer if the Chief Executive Officer is also the Chairman, Board of Directors) and the Chairman, Board of Directors.

NOTE: This APPLICATION and all attachments shall be treated in strictest confidence.