

**THE FINANCIAL SERVICES INSURANCE PROGRAM**

**DISCRETIONARY MONEY MANAGEMENT SUPPLEMENTAL APPLICATION**

**INSTRUCTIONS:** Complete this Supplement **only** if applying for coverage for discretionary investment management (other than discretion allowed under the terms of a Limited Mutual Fund Market Timing/Asset Allocation Agreement which is covered by the main **Application**).

**I. BUSINESSES**

List below all business organizations affiliated with **Applicant, including Applicant**, for which discretionary investment management coverage is requested, indicating the relationship to **Applicant**. Use the S.I.F. if more space is needed.

**II. CLIENTS AND MARKETING**

2a. List **Applicant's** total number of clients for the past three years and the current year:

Prior Year (20\_\_): \_\_\_\_\_ Prior Year (20\_\_): \_\_\_\_\_ Prior Year (20\_\_): \_\_\_\_\_ This Year (20\_\_): \_\_\_\_\_

2b. Split **Applicant's** clients into the following categories:

Individuals: _____%	Investment Companies: _____%
Corporations Or Other Business Entities: _____%	Other (Describe): _____%
Pension, Profit Sharing Or Similar Plans: _____%	
	<b>TOTAL: 100%</b>

2c. Does **Applicant** manage any investment companies?  Yes  No

If "yes", list them below, and include their prospectuses, if registered, or partnership agreements or other documents, if a private investment company, with the Application. Include any limited partnerships or other organizations that could be viewed as investment companies except for an exemption made in the Investment Company Act of 1940, as amended.

2d. Do prospective clients have to meet certain qualifications to be accepted? If "yes", describe on the S.I.F.  Yes  No

2e. What percentage of clients renew their contracts with **Applicant** each year? \_\_\_\_\_%  
How long does the typical client remain a client of **Applicant**? \_\_\_\_\_ years.

2f. As an approved investment manager, is **Applicant** a fiduciary under ERISA for any managed portfolio?  Yes  No

2g. Does **Applicant** function as a trustee, plan administrator, named fiduciary or in any other fiduciary capacity under ERISA other than as an appointed investment manager? If "yes", explain on the S.I.F.  Yes  No

2h. Does **Applicant** adhere to the Guidelines of the Association For Investment Management And Research (formerly the Financial Analysts Federation) and other relevant rules and regulations in presenting its investment management results?  Yes  No

2i. Does **Applicant** present its best, worst and mean portfolio results to prospective clients?  Yes  No

2j. Does **Applicant** present model portfolio results to prospective clients?  Yes  No

**III. INVESTMENT PORTFOLIOS**

3a. List Applicant's assets under management for the past three years and the current year:

Prior Year (20\_\_): \$ \_\_\_\_\_ Prior Year (20\_\_): \$ \_\_\_\_\_ Prior Year (20\_\_): \$ \_\_\_\_\_ This Year (20\_\_): \$ \_\_\_\_\_

3b. Estimate the percentage of client assets invested in the securities listed below:

Cash and Cash Equivalents (liquid investments of 1 year or less maturity): _____%	Total Equity Investments: _____%	Total Other Investments: _____%
Medium and Long Term Fixed Income Investments: _____%	Common Stock: _____%	Option Contracts: _____%
U.S. Gov't./Agency Bonds: _____%	Preferred Stock: _____%	Hedge Funds: _____%
Municipal Bonds: _____%	Foreign Stock: _____%	Future Contracts: _____%
Corporate Bonds: _____%	Mutual Funds: _____%	Real Estate Ltd. Partnerships: _____%
Mortgages: _____%	Other (Describe): _____%	Other Ltd. Partnerships: _____%
Derivatives: _____%		(e.g. Oil, Gas, Cable TV.)
Mutual Funds: _____%		Precious Metals: _____%
Foreign Bonds: _____%		Rare Gems and Coins: _____%
Guarant'd Invest. Contracts: _____%		Collectibles: _____%
Other (Describe): _____%		(e.g., art, ceramics)
		Other (Describe): _____%
		<b>Total 100%</b>

3c. If **Applicant's** client portfolios include foreign securities, please list the countries invested in or mutual funds used and how currency exposure is hedged: \_\_\_\_\_

3d. If **Applicant's** client portfolios include options or futures contracts, describe the role these securities play in the portfolios:  
\_\_\_\_\_

3e. What percentage of **Applicant's** client portfolios could be described as illiquid? \_\_\_\_\_%

3f. What percentage of **Applicant's** client portfolios consist of unregistered securities? \_\_\_\_\_%

3g. Estimate the average, minimum and maximum turnover of **Applicant's** client portfolios:  
Average Portfolio Turnover: \_\_\_\_\_%. Minimum Portfolio Turnover: \_\_\_\_\_%. Maximum Portfolio Turnover: \_\_\_\_\_%.

3h. Estimate the average, minimum and maximum size and number of securities in **Applicant's** client portfolios:

	Invested Assets (\$)	Number of Securities
Average Portfolio:	_____	_____
Minimum Portfolio:	_____	_____
Maximum Portfolio:	_____	_____

3i. Estimate the mean return on client portfolios vs. appropriate comparative index for the last five years:

Equity Portfolios			Fixed Income Portfolios		
	Client Portfolios	Index (Specify)		Client Portfolios	Index (Specify)
Prior Year (20__):	_____%	_____%	Prior Year (20__):	_____%	_____%
Prior Year (20__):	_____%	_____%	Prior Year (20__):	_____%	_____%
Prior Year (20__):	_____%	_____%	Prior Year (20__):	_____%	_____%
Prior Year (20__):	_____%	_____%	Prior Year (20__):	_____%	_____%
This Year (20__):	_____%	_____%	This Year (20__):	_____%	_____%

**IV. INVESTMENT PHILOSOPHY**

4a. Describe **Applicant's** investment philosophy and strategies utilized (e.g., capital preservation and income utilizing government bonds; capital gains through growth stocks; aggressive growth through growth small stocks and leverage; etc.):  
\_\_\_\_\_

4b. Indicate any particular type of asset management in which **Applicant** specializes (e.g., asset allocation using mutual funds, commodities, etc.):  
\_\_\_\_\_

4c. Does **Applicant** utilize any of the following strategies? If "yes", describe in more detail on the S.I.F.

Market Timing: <input type="checkbox"/> Yes <input type="checkbox"/> No	Short Sales: <input type="checkbox"/> Yes <input type="checkbox"/> No	Arbitrage: <input type="checkbox"/> Yes <input type="checkbox"/> No
Asset Allocation: <input type="checkbox"/> Yes <input type="checkbox"/> No	Leverage: <input type="checkbox"/> Yes <input type="checkbox"/> No	

4d. Check which one of the following characterizes the authority **Applicant** exercises over client portfolios:

Full discretionary authority for all trades; client receives periodic notification of portfolio composition and net asset value.

Full discretionary authority for all trades; client notified of each trade.

Partial discretionary authority over trading (e.g., asset allocation among mutual funds). Describe on S.I.F.

No discretionary authority over trades; recommend trades but client makes the decision.

Other. Describe on the S.I.F.

4e. Are any client funds pooled with other client funds for investment management? If "yes", explain on S.I.F.  Yes  No  
Are any of **Applicant's** own funds invested in these pools?  Yes  No

4f. Describe the procedures used in selecting securities for client portfolios (e.g., investment committee chooses approved list of securities, from which portfolio managers can choose; all companies are visited; rely on brokers' research departments; etc.):  
\_\_\_\_\_

**V. BUSINESS AND ADMINISTRATIVE PRACTICES**

5a. 1. How are client goals and strategies and their appropriateness determined? \_\_\_\_\_

2. Are client investment goals and strategies stated in detail in their investment contracts?  Yes  No

3. How frequently are client goals and strategies reviewed and updated? \_\_\_\_\_

4. How often does **Applicant** meet with clients? \_\_\_\_\_

5. Are trades discussed with clients prior to execution?  Yes  No

6. Are clients notified of all trades?  Yes  No  
If "yes", when? \_\_\_\_\_

7. Does **Applicant's** client contract have an arbitration clause?  Yes  No

5b. 1. Does <b>Applicant</b> have written risk management guidelines?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Does <b>Applicant</b> have an internal control/audit system to insure that client investment goals and strategies are being adhered to and portfolio managers are not exceeding their authority?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Does <b>Applicant</b> have a system to verify the accuracy and timeliness of purchases/sales orders and confirmations?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Does <b>Applicant</b> have written guidelines for personal investments/trades by <b>Applicant's</b> officers, directors, partners and employees?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Does <b>Applicant</b> have written guidelines regarding conflicts of interest?	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Does <b>Applicant</b> have written guidelines regarding the use of non-public information?	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Does <b>Applicant</b> receive or pay referral fees? If "yes", are these disclosed to <b>Applicant's</b> clients?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No

5c. 1. Describe the criteria used to choose the custodian for client assets under management: _____ _____	
2. Does <b>Applicant</b> ever function as the custodian for client assets under management? If "yes", explain on the S.I.F.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. What organizations are custodians for client assets under management? _____ _____	
4. Does <b>Applicant</b> have control of any client assets in any capacity other than as the client's investment manager (e.g., trustee)? If "yes", explain on the S.I.F.	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Does <b>Applicant</b> have authority to remove funds from client accounts for any reason other than payment of investment management fees? If "yes", explain on the S.I.F.	<input type="checkbox"/> Yes <input type="checkbox"/> No

5d. 1. What criteria are used to choose the broker-dealer to execute client trades? _____ _____	
2. Does <b>Applicant</b> have any "soft dollar" arrangement with broker-dealers? If "yes", explain on S.I.F.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Is <b>Applicant</b> associated through ownership, contract, etc. with any broker-dealer? If "yes", explain the relationship on the S.I.F. and the percentage of client trades executed by this broker-dealer.	<input type="checkbox"/> Yes <input type="checkbox"/> No

5e. Does Applicant manage wrap accounts? If "yes", what percentage of Applicant's accounts are wrap accounts? _____%	<input type="checkbox"/> Yes <input type="checkbox"/> No
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5f. List the name and address of <b>Applicant's</b> law firm: _____ _____
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5g. 1. List the name and address of <b>Applicant's</b> accounting firm: _____ _____
2. Is <b>Applicant</b> audited annually? <input type="checkbox"/> Yes <input type="checkbox"/> No

<b>VI. ADDITIONAL INFORMATION.</b> Attach a copy of the following documents.
6a. Prospectus, or equivalent document if unregistered, of any investment company managed by <b>Applicant</b> .
6b. Written risk management guidelines.
6c. Written guidelines for personal trades, conflicts of interest, use of non-public information, etc.

<b>APPLICANT:</b> _____ Date: _____
BY: _____ PRINT NAME AND TITLE: _____