

ACCOUNTANTS & CONSULTANTS PROFESSIONAL LIABILITY

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE DATE (12:01 A.M.)	NAMED INSURED

Registered Representative Endorsement – Illinois

This endorsement modifies coverage provided under the Accountants & Consultants Professional Liability Insurance Policy.

1. 1. INSURING AGREEMENTS, 1.1. Professional Liability is deleted and replaced by the following:

We will pay on **your** behalf all sums in excess of the applicable Deductible amount stated in the Declarations that **you** become legally obligated to pay as **Damages** and associated **Defense Expenses**, including **Cost of Corrections**, resulting from a **Claim** first made against **you** during the **Policy Period**, or **Extended Reporting Period**, if applicable, as a result of a **Covered Act** committed by **you**, provided that:

2. Paragraph 8.21 **Professional Services** of Section 8. DEFINITIONS is amended to add the following:

Professional Services includes **your** activities as a **Registered Representative** while rendering services on behalf of the **Named Insured**, or a subsidiary of the **Named Insured**, in the purchase or sale of **Securities** for the account of a client for a fee, commission, or other compensation, provided the **Securities** are: (a) authorized or approved for sale by the **Broker/Dealer**; and (b) processed or approved for processing by the **Broker/Dealer**.

3. The following is added to Section 4. DEDUCTIBLE

Notwithstanding any other terms in this policy, with regard to any **Cost of Corrections**, the Deductible shall apply separately to each order to purchase or sell **Securities**.

4. Section 8. DEFINITIONS is amended to add the following definitions:

Cost of Corrections means a monetary cost incurred by **you** to correct a situation arising out of an actual or alleged error in connection with **Securities** transactions where in the absence of such correction an actual or alleged error would have constituted a covered loss.

Registered Representative means any Insured who has registered with the National Association of Securities Dealers ("NASD") and who:

- a. provides services pursuant to a contract with the **Broker/Dealer**; and
- b. is in compliance with all applicable licensing or registration requirements set by state or federal law or regulation.

Broker/Dealer shall have the same meaning as the term used by the Securities Exchange Act of 1934 and shall not include any subsidiary of the **Named Insured**.

Securities shall have the same meaning as the term used by the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, or the Investment Advisors Act of 1940 and any amendments thereto.

- 5. Solely with respect to the coverage afforded under this endorsement Paragraph 7.11 of Section 7. EXCLUSIONS is deleted in its entirety.
- 6. Solely with respect to the coverage afforded under this endorsement Section 7. EXCLUSIONS is amended to add the following:

This Policy does not apply to any **Claim** made against **you** based upon, arising out of, or resulting from:

- (1) the sale, attempted sale, or servicing of commodities, commodities futures contracts, any type of option contract, promissory notes, limited partnerships, viatical or life settlements, viaticated insurance benefits, or any security backed by viatical settlements;
- (2) underwriting, syndicating, or investment banking work, and the counseling or investment activities associated therewith, including but not limited to, any aspect of any actual, attempted, or threatened merger, acquisition, divestiture, tender offer, proxy contest, leveraged buy-out, going private transaction, reorganization, capital restructuring, recapitalization, spinoff, primary or secondary offering of securities (regardless of whether the offering is public or private placement), other efforts to raise or furnish capital or financing for any enterprise or entity or any other disclosure requirements in connection with any of the foregoing; however, this exclusion shall not apply to any **Claim** arising from the sale of securities in connection with a distribution thereof if such **Claim** relates solely to conduct by **you** affecting only particular clients of the **Named Insured**, or a subsidiary of the **Named Insured**, and does not arise from facts or circumstances affecting the distribution generally such as, but not limited to, actual or alleged deficiencies or inaccuracies in the formal written offering materials;
- (3) actual or alleged use by **you**, or aiding and abetting by **you** in the use of, or actual or alleged participating after the fact by **you** in the use of, non-public information in a manner prohibited by the laws of the United States, including, but not limited to, the Insider Trading and Securities Fraud Enforcement Act of 1988 (as amended) and Rule 10b-5 thereunder; any

state commonwealth, territory, or subdivision thereof, or the laws of any other jurisdiction, or any rules or regulations promulgated under any of the foregoing;

- (4) activities in connection with any equity security priced under \$5.00 per share; however, this exclusion shall not apply if such security is registered or approved for registration upon notice of issuance on a national securities exchange, authorized or approved for authorization upon notice of issuance for quotation in the NASDAQ system or issued by an investment company registered under the Investment Company Act of 1940 (as amended);
 - (5) the receipt of any commission or fee specifically prohibited by the American Institute of Certified Public Accountants;
 - (6) any **Claim** brought by any governmental or quasi-governmental official or agency in any capacity, including but not limited to the Securities and Exchange Commission, National Association of Securities Dealers, the Securities Investor Protection Corporation, or any state or federal securities or insurance commission or agency; however, this exclusion shall not apply to any **Claim** brought by or on behalf of such official or entity in its capacity as **your** client;
 - (7) the purchase, sale, or the giving of advice regarding “junk bonds” or “high yield bonds”. For purposes of this exclusion, “junk bonds” or “high yield bonds” mean bonds which, at the time of purchase or sale, were unrated or rated as below investment grade by any rating agency (including but not limited to Moody’s rated bonds of Ba or lower or S&P rated bonds of BB or lower); or
 - (8) the purchase, sale, or the giving of advice regarding investment vehicles in which an Insured has a more than a 5% ownership interest or is an officer or director.
7. For the purposes of this endorsement only, the following is added to DEFINITIONS 8.28 **You** and **Your**:
- 8.28.9 any person who is, was, or hereafter becomes the appointed Chief Compliance Officer pursuant to Rule 206(4)-7 of the Investment Advisors Act of 1940, solely while acting in such a capacity for the Named Insured or **Predecessor in Business**.
8. For the purposes of this endorsement, the following individuals are Insureds but only in respect to services performed on behalf of the **Named Insured** as stated in the Declarations Page or as amended by endorsement to this Policy:
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9. For the purposes of this endorsement, the **Retroactive Date** is the date set forth below. If no date is set forth below, then the **Retroactive Date** is the date set forth on the Declarations.
- _____ at 12:01 A.M.

All other terms and conditions of this Policy remain unchanged.