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FREE

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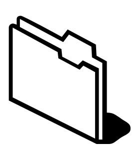

From the Editor-in-Chief

When it rains it pours. Such was the case this summer in much of the continental United States and, in a matter of speaking, at American Portfolios. The effects of a changed financial market and economy presented both opportunities and challenges, creating a downpour of activity in the last 90 days. No doubt, the benefits to our independent financial service businesses have yielded far better results than our nation's crops.

Throughout the pages of this edition of *FREE* you'll read about such opportunities, challenges, and subsequent activity. To start, President Tom Wirtshafter demonstrates the opportunities that exist in our business by drawing a comparison between financial services and the highly competitive theater industry and how, all things considered, we could be a lot worse off (pg. 7). Also, OSJ Managing Director Ron Chakler focuses his economic and market commentary on our independent financial service business and how incredible opportunities have become available to OSJ managers interested in recruiting new reps in the wake of a failing wirehouse business model (pg. 10).

With opportunity comes challenge, as you'll see in the profile of your colleague Ted Turner, a New England mariner at heart who has navigated through good markets and bad for more than 40 years (pg. 14). Anthony Trimarchi, on the other hand, discusses in a Q&A how he built a successful practice in his young career by focusing on financial planning. He began during the collapse of the dot-com bubble, which paved the way for the direction in which he would take his business and prepared him for the challenges he would face eight years later (pg. 20).

Opportunity may be accompanied by challenge, but the reverse is true as well: Challenges lead to opportunities, as illustrated by Bob Vogel, a friend of the firm who participated in the Face of America Ride with American Portfolios staff and colleagues in April (pg. 22). The ride is a pilgrimage of sorts in which able-bodied and disabled athletes support each other on a 110-mile trek from Bethesda, Md. to Gettysburg, Pa. But there is no greater challenge than instituting change in one's personal and working life. CEO Lon T. Dolber brings to light the difficult decisions that affiliating colleagues currently face and how to realize the benefits of looking beyond the practices of the past (pg. 30).

Staff members, affiliated colleagues, and business partners maintained a hectic pace this spring and summer to keep the business growing—and flowing. COO Dean Bruno provides a glimpse of the firm's marathon of events in operations (pg. 6). Director of Human Resources Lisa DiBella talked with *FREE* in an "Up Close" about the importance of creating an atmosphere of professionalism, equality, and diversity and her efforts in recruiting and retaining a healthy, productive staff (pg. 12). Executive Vice President and General Counsel Frank Tauches offers insight into the heightened regulatory concern for the financial well-being of a growing senior population (pg. 8). Manager of Advisory Business Development Joe Borriello provides actionable, detailed guidelines for working toward goals (pg. 9). For a deeper understanding of investment products and services, check out "Tools of the Trade," which provides a down-and-dirty explanation of how to use the Annuity Intelligence Report from the APFS broker website and from STARS (pg. 25). Affiliated colleague Stephen Davis discusses the benefits of asset allocation (pg. 11). Focus and business partner Penn Mutual explains how whole life insurance can help anchor the conservative portion of a diversified asset allocation program (pg. 28). Finally, Crump offers a detailed explanation about split dollar planning and how it can be used as a wealth preservation tool for affluent clients (pg. 26).

It's a bumper edition.

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Correction

The June issue of *FREE* stated that South Ferry, Inc. runs ferries between Long Island's Shelter Island and New Haven, Conn. ("Up Close: Cliff Clark"). South Ferry, Inc. runs ferries between Shelter Island and Sag Harbor, N.Y. *FREE* regrets the error.

Want to share your thoughts?

We'd like your feedback on the articles you read here. What did you like? What can we do better? What would you like to see us cover? Send your thoughts and ideas to **Terri D'Arrigo** at *tdarrigo@americanportfolios.com.*

Free

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RONALD M. CHAKLER is an affiliated colleague in Huntingdon Valley, Pa. He entered the financial services industry after serving as a teacher in the School District of Philadelphia, and he has 28 years of experience in the securities industry with both NYSE firms and independent broker/dealers. He regularly contributes to *FREE*, most frequently to "Economic and Market Commentary."

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BOB VOGEL is a writer living in Loomis, Calif. He began his career in adventure sports with skiing, doing stunts for movies, and traveling the world as a performer. Although a ski accident in the 1980s left him paralyzed from the waist down, he has continued to participate in adventure sports, including hang gliding, hand-powered bicycling, scuba diving, and adaptive skiing.

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Calendar

FP – *Focus Partner Corporate Events at American Portfolios, Holbrook, N.Y.*
(Please call Mary Ann Rosolino at 800.889.3914, ext.154 to confirm your attendance.)

Oct. 5	FP	Lunch Meeting sponsored by Jackson National | Steve Burke, noon
Oct. 7	FP	Lunch Meeting sponsored by Pacific Life | John Piotrowski, noon
Oct. 10–13		FPA National Conference | Anaheim, California www.fpaannualconference.org
Oct. 12–14		American Portfolios Regional Meeting Hilton Hotel, Indianapolis, Ind.
Oct. 14	FP	Lunch Meeting sponsored by John Hancock | Valerie Freiberg, noon
Oct. 19		TD Ameritrade Institutional 2009 Regional Conference | Grand Hyatt NYC New York, N.Y. www.tdameritradeconferences.com/partnership
Oct. 19	FP	Lunch Meeting sponsored by Penn Mutual | Ken Junge, noon
Oct. 26	FP	Lunch Meeting sponsored by Franklin Templeton | Bill Sheluck, noon
Nov. 2	FP	Lunch Meeting sponsored by AXA | Lorraine Lods, noon
Nov. 9	FP	Lunch Meeting sponsored by National Integrity | Keith Carravone, noon
Nov. 11		OSJ Manager/Principal Conference Call, 4:15 EST.
Nov. 16	FP	Lunch Meeting sponsored by Prudential | Carrie Short, noon
Nov. 18	FP	Lunch Meeting sponsored by MetLife | John Nahas, noon
Nov. 26		Market Closed for Thanksgiving
Nov. 30	FP	Lunch Meeting sponsored by Penn Mutual | Ken Junge, noon
Dec. 2	FP	Lunch Meeting sponsored by American Funds | Steve Calabria, noon
Dec. 7	FP	Lunch Meeting sponsored by Nationwide | Susan O'Connor, noon
Dec. 14	FP	Lunch Meeting sponsored by OppenheimerFunds | Wendy Ehrlich, noon
Dec. 25		Market Closed for Christmas

STUDIO 454

ON-DEMAND VIDEOS

LINE ▸ UP

Studio 454, the media production arm of American Portfolios (APFS), is committed to creating interesting and informative video programs exclusively for the firm's affiliated colleagues. To view a video, click on the Studio 454 button at the top of the APFS broker website and enter the title of the video in the search field. To scan the program lineup, click on "Top Videos" or "Browse."

The Advisors Circle 01
In the debut edition of a new monthly series by and for affiliated colleagues, George Elkin, Ron Chakler, and Barry Cohn come together in an in-depth roundtable discussion about living benefits in variable annuities contracts. They also discuss fixed income strategies and tips for working with clients in a difficult market.

Video Message from Tom Wirtshafter
APFS President Tom Wirtshafter discusses the importance of completing and updating new account forms. Why are these forms so critical, and who are they really for?

Financial Update from Nicholas Sargen
Integrity Life Insurance Senior Vice President John O'Connell and Western and Southern Financial Group's Chief Investment Officer Nicholas Sargen discuss the economy, equities, and mark-to-market accounting rules.

Navigating the APFS Broker Website
Manager of Representative Services Jared McGill provides a fast-paced, 10-minute overview of the broker Web site to help you navigate the site and get to the information you need.

Using ETFs and ETNs Effectively Within a Diversified Growth Portfolio Strategy
SmartGrowth Mutual Funds Portfolio Manager Kevin Mahn discusses growth opportunities advisors can integrate into their clients' portfolios with a target-risk approach.

Employee of the Quarter

Melissa Grappone

The advantage of working with a new company is that as the company grows, so does your career. New opportunities arise over the years, enabling driven, dedicated employees to make valuable contributions that affect the entire company. Such is the case with American Portfolios Director of Corporate Communications Melissa Grappone, who has been chosen as the Employee of the Quarter for the second quarter of 2009.

Melissa has been with American Portfolios since its inception in September of 2001. Heading up the Transitions Department, Melissa facilitated the transfer of approximately 200 registered representatives to the firm. She continued in her role in Transitions through 2004 and oversaw the affiliation of 140 new affiliated colleagues. She also directed the implementation of the correspondence clearing relationship made with Pershing LLC in 2003.

In her current role as Director of Corporate Communications, Melissa has spent the last five years working to shape, refine, reinforce, and preserve the American Portfolios corporate culture, identity, and image through brand and concept marketing. She establishes communications and visual standards for the entire firm and oversees the firm's communications venues, including the internal magazine *FREE*, the production facility Studio 454, the American Portfolios website, and the electronic newsletter *The Independent*. Melissa is also responsible for communicating corporate initiatives, announcements, and annual financial reviews to shareholders, employees, affiliated colleagues, and the public.

Melissa is best known among her colleagues at the home office in Holbrook, N.Y. as an approachable leader who welcomes new ways of achieving goals. Her spirit of teamwork promotes success among her staff, and she makes the time to lend a hand or answer questions as the need arises.

"No one works harder or is more dedicated to American Portfolios than she is," says Craig Poore, Manager of Media Production and Studio Operations. "She has her own very clear ideas for developing Studio 454 and the entire APFS Corporate Communications Department, yet she is approachable and open to new ideas. I am happy she was recognized as employee of the quarter."

So are we. Congratulations, Melissa!

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New Employees

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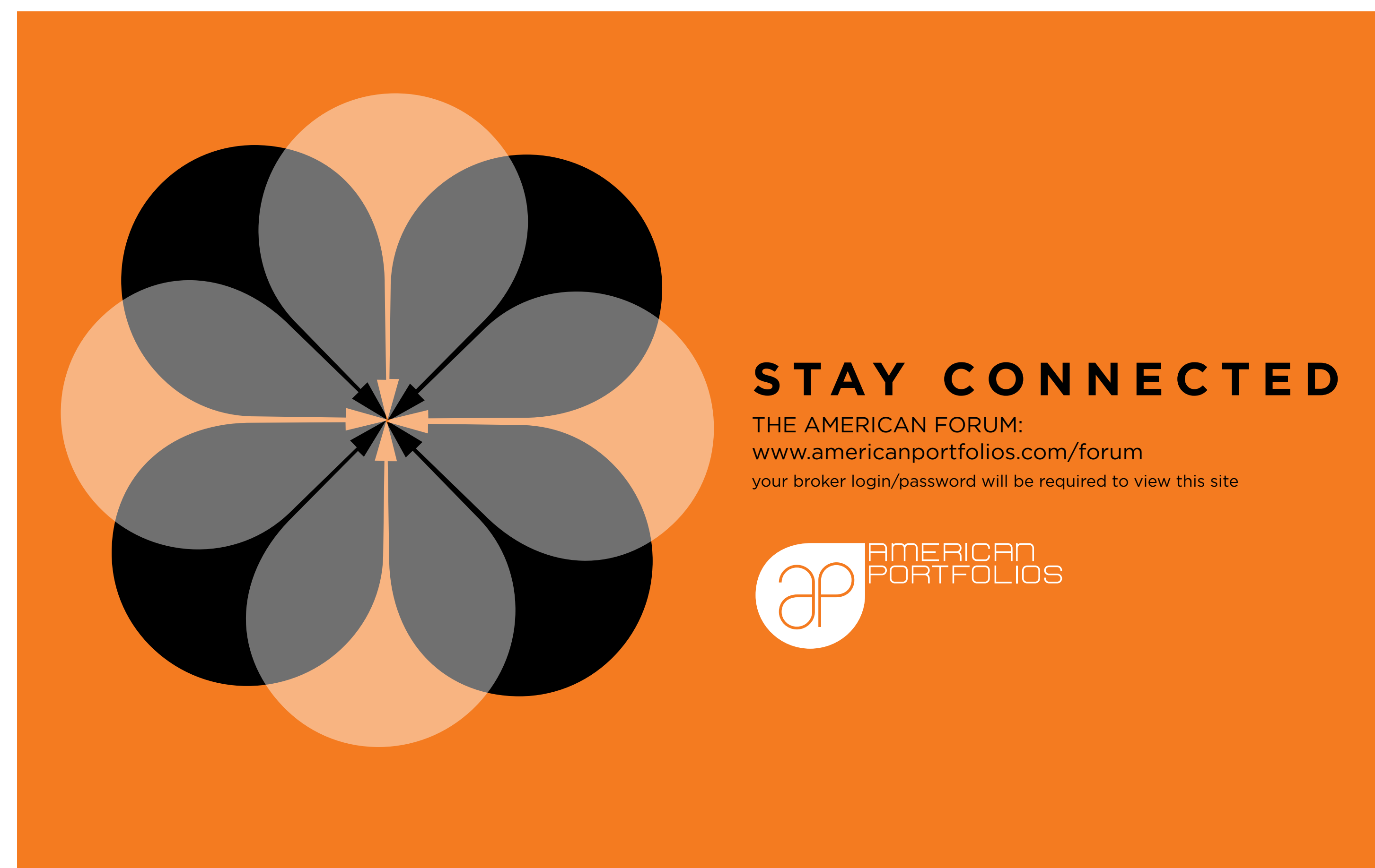
Joined APFS in May 2009

Responsibilities:
As compliance associate, Avi is responsible for the surveillance and review of BPM, including review of DPP, REIT, private placements, variable annuities and equity index annuities business and their associated documentation (NAF, APFS compliance forms, checks, and letters of intent). He monitors the email surveillance system nationwide and generates and supplies regulatory documents for FINRA audits. Avi also generates compliance surveillance reports and reconciles the results by contacting affiliated managers and representatives in the field.

Biography:
Avi has a broad base of experience in financial services and compliance. Before coming to APFS, he served as a registered investment advisor at Quest Capital, Inc. He also served as a senior account executive with Sands Brothers International, where he was actively involved in six initial public offerings. At JW Barclay & CO., Inc., Avi worked on various compliance projects, including registering new employees, reviewing research and sales material, assisting in NASD/FINRA firm-wide inspections, and reviewing and updating new account forms and other compliance documentation. In his spare time, Avi enjoys visiting art houses and museums and seeing Broadway plays.



A Marathon Year

by Dean Bruno

This year is on track to be one of the most hectic years in the history of APFS. With converting from J.P. Morgan Clearing Corp. to Pershing LLC, transitioning new colleagues to the broker/dealer, making major upgrades to our Pershing clearing platform, and hosting three regional meetings, we've been moving from one event to the next. Years like this make me glad I enjoy running so much—it's a fabulous way to relieve stress and it has given me the endurance to keep up with the pace of the broker/dealer.

One of the most intense initiatives that the firm has dealt with this year has been the conversion of our clearing firm accounts from J.P. Morgan to Pershing. Operations Manager Phillip Bredow and I met daily for months on end to ensure that we thought of every issue that could arise when converting more than 16,000 accounts to Pershing. I feel extremely confident that the transition has been as smooth as possible and that we have worked as best we could to answer any and all questions from our affiliated colleagues and their staffs.

In addition to handling the conversion, we have continued to transition colleagues from other broker/dealers at a brisk clip. Throughout the firm's history, colleagues have affiliated with APFS mainly from broker/dealers owned by insurance companies, but lately we've appealed to those wishing to leave traditional wirehouse firms. This year, more than 100 new colleagues will affiliate with us, the majority of whom will have a mix of directly held, clearing firm, and advisory level client assets.

To better serve the firm's affiliated colleagues, we have also made major strides in improving our technology, including three major initiatives with Pershing.

First, on June 1, APFS made Portfolio Evaluation Service (PES)/Cost Basis a core component of brokerage accounts at Pershing. All existing accounts at Pershing and all new accounts opened at Pershing will be activated automatically with PES/Cost Basis at no cost to you or your clients.

The PES comprises a complete trade date system for tax-lot accounting and performance measurement. Tax-lot accounting is the maintenance of a client's cost basis over time for purchases or short sales of securities. It provides information that can be used to identify profit and loss situations while assisting clients in tracking their current and potential tax liabilities.

Second, on June 20, APFS, along with Pershing, implemented a new website, www.myedocumentsuite.com. This self-service website allows clients to create user IDs and passwords, turn off paper for their accounts, and view, print, and download electronic documents, including statements and confirmations. These options are available to your clients at no cost.

Third, in early July we upgraded our client access site for clients who hold Pershing accounts. The new level of functionality, Net Ex Client Select, has been branded specifically for APFS and will continue to allow your clients to review their portfolios in a more streamlined, efficient, and user-friendly environment.

In addition to transitioning new colleagues and improving our technology, throughout the year we've also maintained a fast pace with meetings. We have held two regional meetings so far, with the third to take place in mid-October at the Hilton in Indianapolis, Ind. In years past, we had to plan only one major event, the annual conference. Hosting three meetings in different locations within a year has been a more complex task because we had to plan each event individually. However, the extra planning has been well worth it because more than 175 colleagues participated in the first two meetings. We look forward to seeing our Midwestern colleagues in October.

Clearly there is a lot happening on the operational front at APFS. As we round the final turn of 2009 and prepare to sprint into 2010, I'll continue to run, both to train for my next marathon and to stay on pace with meeting your needs on behalf of the firm.

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Wall Street Beats Broadway

by Tom M. Wirtshafter

As many of you know, I have a great passion for the theater. Since 1998, I have been involved with one Broadway production and more than a dozen off-Broadway productions, and I have helped run the Barrow Street Theatre in Greenwich Village since 2003. Our productions have won many awards, drawn great audiences, played all over the world, and, in many cases, actually made money. The next time you're in New York, come see our current production, *Our Town*, if you get the chance. It is a wonderful show, and it's worth all the time and effort that we put into it. If you think our business in the financial world is hard, let me explain how theater works.

Producers decide to make a show happen by making a contract with a playwright. They raise money and begin by hiring a director, a casting agent, and a marketing group. Then it's time to hire actors. That's the tricky part. The rules of engaging the Actors' Equity Association, the union of stage actors, include holding Equity Principal Auditions (EPAs), which are open auditions where any Equity member may try out for a part. These open calls, sometimes referred to as cattle calls, are meant to give all Equity members a chance to go before the directors, casting agents, and producers. Depending on the number of parts in a play, we may spend one or two days auditioning 100 to 200 actors for roles that may or may not be suitable for them. Although we have hired actors through EPAs, it doesn't happen very often.

Next, we hold auditions for actors recommended by agents. Here, at least, the agents have reviewed the parts and offer actors that are suitable for the roles. After that, we have call-backs and invite 20 to 30 actors for each role to come back. From that number we typically invite two or three for the final audition.

All in all, we may audition 300 to 400 actors for a cast of 6 or 8—not very good odds, to say the least—and if I told you how little actors make, both on Broadway and off Broadway, you might be amazed. What's more, although we try to run our shows for a year or longer, most productions have limited runs of 6 to 16 weeks, if they are lucky. Can you imagine going through that process to obtain a client?

It gets worse. Off-Broadway shows cost anywhere from several thousand to several hundred thousand dollars to mount. Broadway shows can cost many millions. Yet the fate of a show may rest in the hands of one individual, the critic for *The New York Times*. A review in the *Times* can make or break a show. For example, this is how Charles Isherwood opened his review of *Mourning Becomes Electra*:

> "There are bad nights at the theater, and then once in a blue moon comes a lulu like the New Group revival of Eugene O'Neill's *Mourning Becomes Electra*, four hours of quicksand from which you begin to fear you will never, ever escape."

As you can imagine, the play closed that weekend.

So the next time you **BEMOAN THE LOT** of a **FINANCIAL ADVISOR**, think about **CATTLE CALLS** and the **CAPRICIOUS NATURE** of **CRITICS**.

In our business, financial services, if someone doesn't like you or doesn't want to do business with you, maybe you wasted some time and money, but you are not out of business. As a matter of fact, you can walk next door and try to work with that person's neighbor. So the next time you bemoan the lot of a financial advisor, think about cattle calls and the capricious nature of critics. You might not be smiling for the audience or seeing your name in lights, but you will probably find yourself very happy where you are.

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Protecting Our Senior Clients & Ourselves

by Frank A. Tauches, Jr.

RECOGNIZING THAT BABY BOOMERS TODAY control more than 50% of total U.S. investment assets, and that by the year 2020, one in every six Americans will be 65 or older, the SEC, FINRA, and the North American Securities Administrators Association have long focused on the senior population and its vulnerability to fraud and abuse. These agencies have expanded their collaborative efforts in protecting seniors through educational programs for senior investors, conducting focused examinations of financial services firms whose clients are senior investors, and prosecuting firms and individuals for investment scams that prey on senior investors.

It's our responsibility to guide and protect all of our investors, but we must exercise extra vigilance in our dealings with the most vulnerable. Seniors and those who may be experiencing a diminished capacity clearly fall into this category. In protectingthem we are protecting ourselves and our firm.

It's important to understand that the definition of "senior investor" has been expanded beyond age 60 or 65 to include investors who have retired or are nearing retirement. Our Compliance Department at American Portfolios (APFS) continuously reviews our written supervisory procedures and forms to address specific areas of concern, but the most significant effort will always be at the point of contact between the client and the advisor.

I'd like to take this opportunity to share recent guidance from regulators regarding their expectations and recommendations in dealing with seniors.

COMMUNICATING EFFECTIVELY

EFFECTIVE COMMUNICATION IS CRUCIAL TO protecting senior investors, and there are several steps you can take to ensure that the lines remain open.

- Increase the frequency of contact with senior investors to remain informed about changes in their employment status, retirement plans, health, and significant life and family events.
- Talk to investors about having an emergency or alternate contact on file with the firm, such as a trusted family member or friend.
- Encourage senior clients to share the details of their financial affairs with trusted family members and other professionals to help ensure that if their health deteriorates, their financial affairs will be properly handled (if necessary through a properly executed power of attorney, which they must fully understand).
- Document conversations with investors in case they have problems with lack of recall. Send follow-up letters to investors after conversations to reiterate and document what was discussed.
- Avoid financial jargon, use plain language, and, if possible, have larger-font versions of marketing material available.
- Provide brochures that explain to investors how to identify, locate, organize, and store important documents so that they are easily accessible in case of an emergency.

Although the foregoing suggestions establish a good basic regimen for dealing with senior investors, there are special situations that require identification and deft handling: diminished capacity and elder financial abuse.

IDENTIFYING DIMINISHED CAPACITY

THE FOLLOWING SITUATIONS COULD INDICATE that an investor may have a diminished capacity or a reduced ability to handle financial decisions:

- The investor appears unable to process simple concepts.
- The investor appears to have memory loss.
- The investor appears to have difficulty speaking or communicating.
- The investor appears unable to appreciate the consequences of decisions, or makes decisions that are inconsistent with his or her current long-term goals.
- The investor's behavior is erratic.
- The investor refuses to follow appropriate investment advice, particularly if such advice is consistent with previously stated investment objectives.
- The investor appears to be confused or concerned about missing funds in his or her account, where reviews indicate there were no unauthorized money movements.
- The investor is not aware of, or does not understand, recently completed financial transactions.
- The investor appears to be disoriented or uncharacteristically unkempt or forgetful.

IDENTIFYING ELDER FINANCIAL ABUSE

ELDER ABUSE CAN BE PHYSICAL OR EMOTIONAL and take the form of neglect, abandonment, or financial exploitation. Elder financial abuse is the misuse of a person's money or belongings by a family member or a person in a position of trust. These are some of the "red flags" that may indicate that a client is the subject of elder abuse:

- The investor gives power of attorney to someone who appears inappropriate.
- There are indications that the investor does not have control over or access to his or her money.
- The investor's mailing address has been changed to an unfamiliar and unexplained address.
- It is not possible to speak directly to the investor, despite attempts to do so.
- The investor appears to be suddenly isolated from friends and family.
- There is a sudden, unexplained, or unusual change in the investor's transaction pattern.
- There are unexplained disbursements in an investor's account that are outside the norm.
- A new individual is suddenly involved in the investor's financial affairs.

IDENTIFY, DOCUMENT, AND ESCALATE

WHEN YOU IDENTIFY SIGNS OF DIMINISHED capacity or elder abuse, it is important to document the events or concerns at the first sign of them and report the situation to your supervising principal, who, unless the matter is quickly and simply resolved, will escalate the issue to the Compliance Department and General Counsel. We have seen several such situations, and the solution must fit the problem. In some instances securities recommendations cannot be made until the concern no longer exists. Other situations require communication with the emergency contact or the person holding the power of attorney. The supervising principal may have to meet with the investor. A review of the investor's account may be necessary to identify any transactions that could indicate a problem. Staff who have experience in dealing with such problems may easily resolve what appears to be an overwhelming situation for the financial advisor.

As with your business with all of your clients, proper documentation (starting with an updated New Account Form), frequent communication, and the identification of issues as they arise will protect you, your supervisor, and the firm. If you have any questions, feel free to call me directly at any time.

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INSPIRE

Accountability & Follow-Through: Working Toward Goals

by Joseph Borriello

WE'RE THREE QUARTERS OF THE WAY THROUGH 2009 and it's time for some tough questions: Where is your business? What does your business plan for 2010 look like? Have you met your goals for 2009, or are you at least on track to do so? Is your assistant performing better than expected or underachieving, or are you the assistant? Have you created a business development climate in your office, or does it reflect someone barely getting through the workload? Did you meet your client-referral goals? Do you have a more efficient business process?

The preceding questions just scratch the surface. All too often, the answers lie in plans and goals that were scrapped, not because of their merit, but because those charged with them "fall down."

I recently read a presentation by TD Ameritrade called, "Advisor Best Practices: Building on What's Working." The message was to be SMART: **s**pecific, **m**easurable, **a**ctionable, **r**ealistic, and **t**ime-specific.

It's a sound concept, but what may not be obvious are the additional, yet necessary, elements of accountability and follow-through. Without these, all of your planning, SMART or otherwise, is for naught.

Accountability and follow-through might be two of the hardest things for many advisors to achieve. After all, you're the boss, and who's going to hold you accountable if you don't? Furthermore, if you're not "programmed" to follow through and hold yourself accountable naturally, it stacks the deck against you. Don't forget that you're also running a business. Here are a few tips to help you get the most out of your planning.

MAKE THE PIECES FIT

AFTER IDENTIFYING AND OUTLINING YOUR GOALS, break your plan down into measurable and digestible pieces that fit your personality. If that means working on one piece of a goal each day for the next 50 days, then do it. For example, say you want to create an office culture that promotes business development, and you're willing to implement the necessary changes. Let's break your goal down into a basic outline, separating essential functions between two categories: increasing your business and running your practice.

I. INCREASING YOUR BUSINESS

A. Generate revenue

B. Set and meet client-referral goals

C. Increase assets under management

D. Increase fees

E. Create additional á la carte service options

F. Bring in other high-producing advisors

II. RUNNING YOUR PRACTICE

A. Process paperwork

B. Service day-to-day client needs

C. Send out communications (newsletters, birthday cards, etc.)

D. Set appointments

E. Answer phones

F. File

Category I above is for you, the advisor. This includes everything you do to sell a service or product and build a client relationship. For this to work, you can't be trapped completing paperwork or answering ordinary service-related phone queries. Leave all but very highly sensitive operational functions to the rest of the office.

Category II is for your office staff. You'll need a dependable support staff and infrastructure that will service and complete the day-to-day operational tasks of running a business. Your office structure, at a bare minimum, should be designed to meet your clients' service needs and expectations. This may require hiring additional personnel or retraining employees. It may also include ensuring that the office technology is up to par. You may wish to set your expectations with your staff and monitor their progress to ensure that they are working toward set sales and service goals.

Instituting or changing a culture will take a while. It is a big endeavor, so don't expect results overnight. In fact, this underscores the need for your accountability and follow-through.

ANSWER TO SOMEONE

HAVE OTHERS HOLD YOU ACCOUNTABLE JUST AS you hold others accountable. Yes, you're the boss, but that's why it could be tough for you to do. Try forming a peer group, using a coach, or creating a client advisory board.

Another excellent way to develop accountability is to host formalized weekly meetings where attendees specifically detail what they worked on and what goals they met. Discussion should be kept to short, quantifying statements such as, "Over the last week, I made 60 outbound calls to prospects and have six new business appointments set up over the next two weeks," or, "I met with 20 existing clients and reviewed their accounts and plans, and obtained $500,000 in new assets from Mr. Smith and two referrals from the Joneses."

These meetings should be held in a positive context where you and your staff share problem-solving skills, celebrate when goals are completed, and keep a record of who is meeting with whom and what everyone is working on. Topics need not be limited to sales and revenue, but can and should include any goals that will take more than a few days to complete.

Goals are all too often set aside or forgotten like New Year's resolutions. Things come up, life gets in the way, you get derailed. However, the primary driver of your business is you. Make the commitment to yourself to be accountable and to follow through, whether you're looking to implement small changes in how your business operates or change your office culture entirely. That would indeed be a SMART way to run your business.

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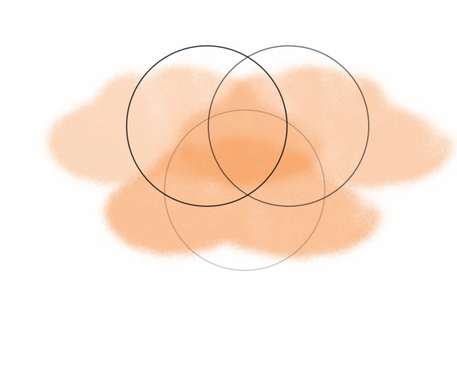
A Perfect Storm

by Ronald M. Chakler



Any veteran of our industry can attest to the fact that all speculative bubbles eventually burst, only to be followed by others. In the past decade alone, we have witnessed this phenomenon as the housing bubble took shape shortly after the tech bust. Since the housing bubble burst, repercussions have spread across the economy to create the worst economic crisis since the Great Depression. What will succeed housing to become the next growth sector? It has been a trying year for most industries, and few sectors have seen anything close to explosive growth. However, independent broker/dealers have quickly become direct and worthy beneficiaries of the broken wirehouse model, which is steadily collapsing under the weight of the economic meltdown.

A recent study by The Financial Information Group, Inc., of Shrewsbury, N.J., shows that in January 2009, 71% of all registered representatives who left a wirehouse moved to another one. In only six months, that number has been cut nearly in half, to 38%. Independence, technology, diversity of products and services, and ability to create a business with substantial value have prompted many reps to weigh the pros and cons of "check up front" with a wirehouse vs. "long-term value" in going into business for themselves and affiliating with an independent broker/dealer. It has become evident that more advisors now understand that the higher payout, creation of value, and genuine satisfaction from owning a successful private practice make independence the more viable option, particularly when viewed over the long run.

An atmosphere of general hostility has engulfed many once well-respected firms. This stems from the tough investment climate that came after the market peak in October of 2007 as well as the direct hit to personal wealth that many reps took when the stock they owned in their parent companies sank in value. Also, the criticism leveled at many of the corporate executives at major brokerage firms has chipped away at the firms' already tarnished images. Bank of America hastily taking over Merrill Lynch, Smith Barney joining forces with Morgan Stanley in an effort to distance themselves from their parent, Citigroup, and Wells Fargo buying Wachovia all in one year illustrate the current state of the industry as a whole. In fact, the only major wirehouse that hasn't changed hands is UBS, but even UBS has suffered bad publicity because of its legal battles with the IRS over divulging the names of U.S. clients with offshore accounts.

APFS branch managers should seriously consider this once-in-a-lifetime opportunity to recruit seasoned professionals.

Economic malaise, negative publicity among wirehouses, and increasingly constricting and inhospitable corporate cultures have come together to create the perfect storm in favor of independent broker/dealers. Many of our branch managers at APFS should seriously consider this once-in-a-lifetime opportunity to recruit seasoned professionals who have become disillusioned by the uncertainty and change they have recently experienced.

The pendulum is swinging in favor of private practice on almost every level. Many reps who had considered abandoning their FINRA licenses in favor of RIA firms, which historically have been less compliance-oriented, are now realizing that the SEC will increasingly scrutinize their firms in the wake of the Madoff scandal. Also, the increasing popularity of many variable annuity products with attractive living benefits has prompted reps to reconsider giving up their FINRA licenses.

The advantages of independence stand out in stark relief against the current turmoil in the major wirehouses, and I believe that an excellent opportunity now exists for our firm and for all of our managers to expand their business and their branches. Good luck to all!

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The views in this commentary do not necessarily represent those of the firm and are not intended as specific investment advice.

Asset Allocation Is Alive and Well

by Stephen K. Davis

Back when I started my business in the 1980s, products were mainly life insurance, annuities, separate account equity and bond funds, real estate, or individual securities. Compared to where they are now, products were in their infancy. Platforms for portfolio diversification—asset allocation—had not yet evolved, and designing a client portfolio was based more on an advisor's intuition than anything else.

Those in the business long enough may recall that in the early '80s, real estate tax shelters and declining interest rates fueled a real estate boom. In 1986 Congress decided to end tax breaks and eliminate deductions for passive losses from real estate shelters, and the real estate market collapsed. Then the stock market crashed in 1987. Everything lost value, interest went through the roof, and it was very difficult for reps to survive. For me, it was back to selling life insurance.

In the early 1990s mutual funds took off. Many successful fund managers found it difficult to keep pace with the influx of new cash and stay within the investment guidelines of their portfolios. Performance suffered. New research pointed to several reasons why active management could not consistently outperform the market typically represented by the S&P 500 Index. One landmark study commissioned by SEI Capital, the Brinson, Hood, and Beebower study, purported that asset allocation represented 91.5% of portfolio performance. After I read the study, it became clear that selling for commissions was a flawed way of doing business: We were selling funds at the high and clients were selling out at the low. Clients needed better long-term solutions.

This led me to study the application of Modern Portfolio Theory (MPT), where asset allocation was not just a buy-and-hold strategy of a basket of stocks, but an innovative approach toward portfolio design. This strategy uses a prescribed portfolio composed of various asset classes that are statistically optimized to lower portfolio volatility. Here the advisor matches securities that are negatively correlated (dissimilar). Think about energy and transportation: You don't want anything moving up or down at the same time. Using MPT, I established three risk-based portfolios using low-cost indexed mutual funds and value-added alternate investment options that incorporate a global approach to selecting asset classes. The strategy has not changed over time, but the tools have become more efficient, which allows for a very competitive fee structure. It provides the ability to tailor a portfolio relative to a client's needs, yet within the guidelines of the portfolio's asset allocation.

One way to encourage investor discipline is to dispel the notion of "beating" the market and instead focus on reducing volatility.

Asset Allocation as a Discipline

As advisors, we need to consider the long-term benefit of a consistent money strategy that will assure clients of success. As you may know, clients can be their own worst enemy, letting emotion rule their decision-making process. Therefore, they are seldom successful at investing over the long term and could benefit from developing some discipline when it comes to their investments. One way to encourage that discipline is to dispel the notion of "beating" the market and instead focus on reducing volatility to increase the compound rate of return. This approach is backed by strong academic research that supports the benefits of strategic asset allocation and rebalancing over the long term. You're probably aware of the Nobel Prize given to Harry M. Markowitz, Merton H. Miller, and William F. Sharpe in 1990 for their work in financial economics, which specifically points to MPT as the cornerstone of evaluating risk and reward.

The cataclysmic market events that have shaken the financial world over the last year have prompted many to speculate that correlations among asset classes are no longer valid and that a new paradigm has replaced asset allocation, which would suggest finding a new strategy. But lo and behold, international assets have exploded, with commodities following suit. Granted, domestic equities have remained far behind, but the point is that asset allocation is not dead.

In fact, asset allocation is not only alive, it's doing well, and my practice is proof. Since I can't time the market, and I have no idea who or what will over- or underperform, my fail-safe method has been to find the most efficient portfolio I can. In June we found our managed accounts outpacing the domestic markets by a wide margin of 800 to 1,300 basis points. In 2008 we had a decline of about 25%, but now we are closing the gap and heading toward a break-even point. The time and effort we invested in achieving an audited portfolio status has helped reaffirm the long-term success of a disciplined approach toward asset allocation.

I encourage you to conduct a close examination of commission-based product sales compared to fee-based asset allocation strategies. Fee-based asset allocation strategies will not only benefit your clients, but will also provide you with a consistent stream of income that will take the pressure off you to produce. They will also enable you to focus on your clients and what is best for them.

Portfolio management is both an art and a science. The art comes from instinct that develops over years of experience and adds an element of active management to what is essentially a passive strategy. Over the long term you can only control costs and taxes. You can mitigate risk by moving away from volatile assets, but it's impossible to avoid risk entirely, so concentrate on reducing costs for your clients and managing their assets for tax efficiency. In my practice, we do this by using low-cost exchange traded funds and keeping fees competitive, which may also work for you depending on your business. Regardless, remember that asset allocation provides important benefits for your clients, and what benefits your clients will also, in the long run, benefit you.

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UP CLOSE

Lisa DiBella

It's American Portfolios' mission to help you, the independent financial professional, realize your dreams. But have you ever wondered how the staff at the home office in Holbrook are chosen for this mission? American Portfolios Director of Human Resources Lisa DiBella recently spoke with *FREE* about recruiting personnel, fostering teamwork, and ensuring that the firm's employees enjoy an atmosphere of professionalism, equality, and diversity—all the better to serve you.

Interview by Terri D'Arrigo
Photo by Andrea L. Parker

FREE: **What are the primary responsibilities of a Human Resources (HR) department?**
Lisa DiBella: "Human resources" is becoming an increasingly broad term. It goes beyond traditional "hire or fire" and includes overseeing staff regulations and procedures, managing employee relationships and performance goals, complying with Equal Opportunity standards, and identifying and managing challenges among staff. However, it all begins with the hiring process.

FREE: **Tell us about the hiring process. When you are recruiting and interviewing potential employees, what do you look for?**
LD: You can't put a price on work ethic and honesty. Skills and experience are important, and we want to make sure we match a candidate's skills and experience with the job that person is best suited for, but you can't train for good work ethics. A good sense of humor never hurts. We also look for a can-do attitude, enthusiasm, and teamwork.

FREE: **How has the current economy affected your recruitment efforts?**
LD: Many companies have been forced to let go of employees, but we've been fortunate that we've been able to keep people and maintain retention. There may be concern or anxiety [among staff], however, so motivating people through tough times is important. On the flip side, there are many qualified people out there seeking jobs, and we have to sift through so many résumés. We like to use referrals, particularly in a difficult time, to see if we can make it win-win for all, whether it's employee referrals or a rep referring a candidate. It's certainly a juggling act at times!

FREE: **The interview process is a two-way street. What do you hope to convey when you meet with candidates?**
LD: I'm a direct representation of the company, the first person a candidate meets, so creating a professional impression is imperative. I'm also a strong advocate of diversity, and it's important that we convey that, because if we don't try to attract a diverse workforce, we won't be at a competitive advantage.

FREE: **What do you feel is the most important aspect of your job?**
LD: There are many areas that I consider important, but employee relations is front and center—keeping harmony, equality, and fairness. It's a balance. I have to remain firm yet delicate on implementing policies and procedures. You have to be an advocate for the employees while working and maintaining a trusting relationship with management.

FREE: **Ah, harmony. How do you handle "issues" and balance diplomacy with discipline when resolving conflicts or enforcing policy?**
LD: Every situation is different. There's a technique among human-resources professionals for this called "objective coaching." You act as a neutral mediator, have confidential conversations with each party, and help them reach resolution on their own. The key is addressing disciplinary challenges when they are still minor. You can't assume a problem is going to go away. It takes communication, and sometimes you have to be firm and refer to the employee handbook and policies the firm has in place. However, it's most important to give positive reinforcement. You get more out of people when you inspire them and listen to them. Treating people with respect and dignity is important to the success of any business.

FREE: **What are your thoughts on employee training and career development?**
LD: Training and development are very important for the overall success of the company and we take it quite seriously here. It improves confidence, efficiency, and job satisfaction, but it also builds strong leaders, which is important to succession planning in a growing company. Employees have to be ready so that we can place them in new positions when they open up.

FREE: **How, specifically, are employees at American Portfolios trained?**
LD: There are several ways. We've implemented 360-degree Web-based training that employees can take online. We have instructor-led training both in the office and off-site that employees can attend. I've worked with the management team to develop key training goals on our performance reviews, and there are classes for building communications skills, computer skills, and customer service skills as well as mandatory training on topics such as sexual harassment and diversity. After a year of service, employees are eligible to take their license exams, and we offer tuition reimbursement so they may pursue further education. And finally, there is informal training. We recently introduced in-house training led by American Portfolios President Tom Wirtshafter on Friday mornings before office hours to help employees understand different areas of the financial business. This helps employees understand what we do and what our reps do so they can better serve the reps.

FREE: **You're the first HR professional for the firm. What are some of the key things you focused on when you first came aboard to get the HR Department up and running?**
LD: I asked CEO Lon Dolber if I could provide an overview of HR initiatives to the staff, which I did through a PowerPoint presentation at one of the quarterly staff meetings. I established HR management policies that comply with federal laws and rewrote the employee handbook. I revamped the performance management infrastructure to ensure that all employees complete self-reviews and that managers recognize and reward contributions. Also, I worked closely with [Director of Finance] Anne Antunovich in implementing a human resources information system for payroll, salaries, compensation, and benefits. It was a huge undertaking, but the results have been great. Employees can review their information online, and it streamlines the practice for HR and Payroll—technology at its best!

> "You get more out of people when you inspire them and listen to them. Treating people with respect and dignity is important to the success of any business."

FREE: **What is the most challenging aspect of working in a growing mid-sized financial firm?**
LD: There are a few challenges, from having fewer resources [than you would in a larger company] to assuming roles outside the traditional HR job description and being required to wear many hats. However, the advantage is that you get to work closely with all of the employees and get to know them. It provides a personal touch. Also, there is limited hierarchy, and decisions and solutions resonate through the company quickly. Another challenge is that as the only HR person on board, I must rely on my colleagues in HR outside the company through organizations like the Society for Human Resource Management.

FREE: **Earlier, you mentioned succession planning. What is the firm's strategy for that?**
LD: Our goal here at American Portfolios is to build strong leaders so we will be in ready-mode when we have to hire into management positions. Also, today's new employees are clearly a new generation. "Millennials" come to employers with high expectations, from wages to the desire to telecommute. But they also deliver with their incredible multitasking skills and knowledge of technology. When balancing this with the needs of Baby Boomers, it takes a lot of listening and learning—you must be fast on your feet, because Millennials want to climb the ladder of success rather quickly. We want to keep them, so we must continually learn new methods of training and keep up with the latest technology. Then there are Gen-Xers, who are comfortable with technology and able to multitask like the Millennials, but also have experience in the workforce. They're the bridge between Millennials and Baby Boomers, and they are most productive and likely to remain on staff when their opinions and ideas are heard, respected, and fairly evaluated.

FREE: **How is the department evolving? What is your vision for the future?**
LD: If there's one constant in life, it's change. Change is good. It's important in HR, and as our rep force increases, so will our number of employees. Our plan is to have 105 employees by 2011, and I look forward to meeting that plan and matching employees to positions for good results. We want the right people in place, with competitive wages, attractive benefits, and incentives to retain them. Our efforts are to build a talented, knowledgeable staff so that we may better serve our reps, who are our clients, and promote success among all.

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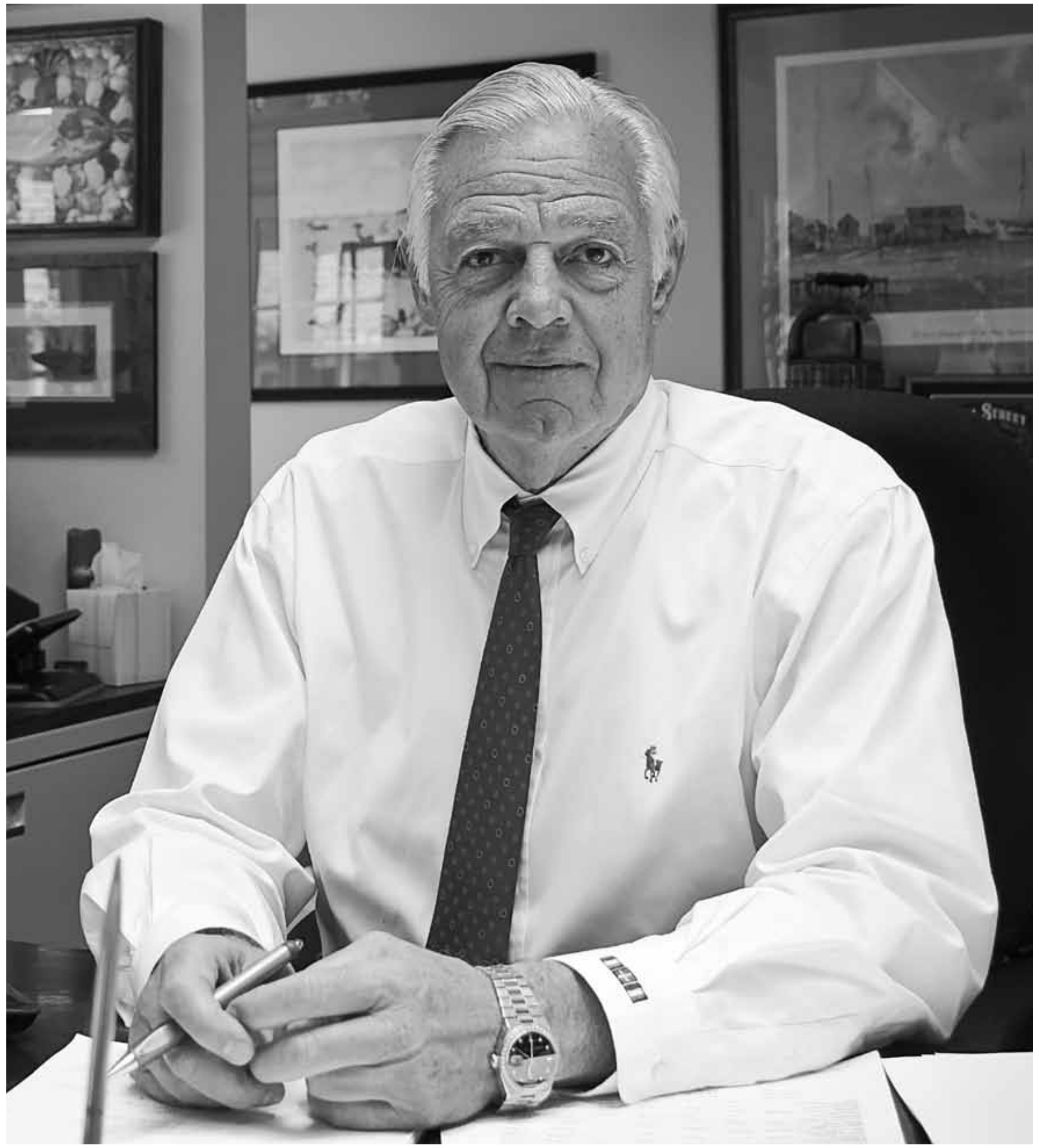
The CAPTAIN Ted Turner

Story by
Rebecca E. Dolber
–
Photos by
Andrea L. Parker

Ted Turner's Cape Cod office is a safe harbor for his clients, family, and friends.



Ted Turner's Cape Cod residence pays homage to the sailors who preceded him. He purchased the house after signing on with his first broker/dealer in 1966 and has since transformed it into an office where, surrounded by scrimshaw, old sea wares, bottles, and bones, he helps his clients make money and mediates their sticky situations. It's a safe harbor for all who enter.

Raised in Osterville, Mass., Turner is the son of Theodore Turner, Sr., a professional golfer. The elder Turner would take his son with him into the locker room, where young Ted would polish golf clubs and shoes for extra money.

Knowing that his son couldn't shine shoes forever, the senior Turner asked the youth what he'd be interested in doing for a full-time job. "I told him a stockbroker, because they gave the dollar tips," says Turner, now an affiliated colleague with American Portfolios Financial Services (APFS).

Unfortunately for Turner, breaking into the brokerage business four decades ago was not as simple as majoring in finance. You had to be born into the business, and if you weren't, you had to know someone who could get you in. After Turner's active duty in the U.S. Coast Guard, a broker at the golf club secured him a position at New York Hanseatic, a stint that paid $110.79 every two weeks. At the time, New York Hanseatic was the largest over-the-counter securities trading firm in the world.

"I was in it full time, completely licensed and working in Boston," Turner says. "I lived out of the Sherry Biltmore for $150 a month. It was a fleabag motel."

Missing home and the coastline where he'd grown up, he returned to Cape Cod in 1966, where he's been ever since.

★ By the Sea, Yet Not Free ★

Over the years, Turner held positions as a producing branch manager for several firms. By the end of 1992 he was managing and supervising approximately 2,000 retail accounts representing $100 million, all while managing and supervising personnel. He started to deal in arbitration for the NASD and NYSE, as well as mediation for the NASD, Cape Cod Dispute Resolution Center, and the Trial District Court Department of Barnstable, Falmouth, and Orleans, Mass. Resolving issues came easily to Turner. "I can see what people are thinking. I don't know how or why, but I can."

When most investors saw losses during the latter part of 2008 into 2009, Turner kept many of his clients from financial tragedy.

He attended seminars and continuing education sessions for securities arbitration, and was soon serving as a panelist at Massachusetts Bar Association seminars on arbitration.

Although it seemed that Turner's career was running at top speed, like many smart business professionals, he knew his future success would come from independence. In 1993, with a little push from his partner Kelly Lonergan (whom he met in 1988 while at Thomson McKinnon), Turner transitioned his licenses to LPL Financial Services, marking the beginning of Turner Corp., his personal arbitration consulting firm.

As an independent contractor, Turner was now able to serve his clients as he saw fit. The world was his oyster, and his Osterville residence was the newfound site of Turner Capital Management & Economics.

"We put in a fireplace and adopted a cat. There are fish ponds outside, and a private guest house for my friends and clients. They love it," he says.

Although Turner's course seemed charted for open waters, he soon met currents of resistance. He felt that his broker/dealer had begun to place unfair demands on their independent professionals, so he started looking to leave. He called Nathan & Lewis Securities, which was a small, independent brokerage firm operating out of New York at the time.

"When I called, Jay Lewis, the CEO, picked up the phone. I invited him up to Cape Cod to have dinner with me at the golf club. He came, and I decided to go with him."

From 1995 to 2003, Turner settled in and built his business at Nathan & Lewis Securities. However, everything changed in 2003 when the firm was sold to MetLife Insurance and became Walnut Street Securities. "I tried to get out the first week after this happened. I called Lon Dolber [CEO of APFS], but there was nothing I could do to get out. They weren't letting me go, I was trapped." Turner was working an average of 18 hours a day, seven days a week at Walnut Street. He was finding it impossible to get time off and growing frustrated with the lack of support he received. "When I opened my mouth, my words fell on deaf ears. It's like when you're fighting on the front lines and you pick up the field phone to say, 'Send me another box of ammo,' and the captain says, 'I sent you one yesterday!' They don't know because they are not the ones on the front lines."

After three years of working through the acquisition of Nathan & Lewis by MetLife, Turner finally got out and transitioned to APFS, which was then in its fifth year as a fully licensed independent broker/dealer.

"You can't soar with the eagles if you're working with turkeys," says Turner. "The people at American Portfolios have class. I wasn't going to find that anywhere else. Everybody works to go forward instead of making brokers go backwards. But, the most important characteristic of APFS is that they are honest."

Turner is currently a producing branch manager at APFS, advising approximately 600 clients with a combined total of about $100 million in assets. He has expanded his practice from his Cape Cod office to include a 1,200-square-foot space in Florida, where, with the help of modern technology, he simply plugs in his laptop and starts working.

★ Buoyancy ★

With a list of awards and adulations as long as a ticker tape, Turner must be onto something. He's been in the top 20 at every firm he's affiliated with, and a member of each of their top producing clubs. He was the top producer of the Eaton Vance Classic Senior Floating Rate Fund in 1998, for which he named his 1960 Crosby Striper power boat. He was also ranked third on American Portfolios' Top 10 Leaders List in 2008.

Turner gives the nod to Keith Funston, former NYSE President, for his philosophy. "The most productive man is not always the man who sells the most securities. He is the man who helps the right people select the right amount of the right securities for the right reason. At the heart of the matter is a moral commitment which goes far beyond matters of immediate economic gain."

"You can't soar with the eagles if you're working with turkeys. The people at American Portfolios have class. I wasn't going to find that anywhere else. Everybody works to go forward instead of making brokers go backwards."

Turner has lived this credo during the recent economic downturn. When most investors saw losses during the latter part of 2008 into 2009, Turner kept many of his clients from financial tragedy. "I saw it coming. The reason the market really cracked this past year is the mark-to-market rules. The SEC was messing around with securities rules and regulations like C-shares, and an inverted U-curve had started to develop. I just thought, 'I'm going to get my clients out.'"

So he did. He admits that it was slow going at first, calling each client individually, but by the early part of 2006, all of them were out. "I suggested to them a fund that had no down years since 1994. They were still averaging around 5.55% to 7%."

Turner also believes in the power of compounding interest. "If you buy something and it keeps spitting out income, and it keeps buying new shares whether it's going up or going down, eventually it will always be higher. It just proved itself during this debacle we went through. My son's IRA is up over 5% since December of 2005 using this method."

He's not jumping right back into the market, however. "I'm going to stay right where I am. I'd like to buy some things, though, a couple smaller companies around here and some APFS stock. AFPS is the best little brokerage firm around. Lon [Dolber] is building a future and a firm with people who have the client's interest at heart. He is honest and as far as I'm concerned, the direction he's going is the right way to go."

As for Turner's own future, it lies in Osterville, the Massachusetts coastline, and Turner Capital Management Corp., for in the words of Herman Melville, "Life is a voyage that's homeward bound."

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ANTHONY TRIMARCHI

Building a business, one client at a time.

Interview and photos by Rebecca E. Dolber

FREE: **How did you get your start in financial services?**
Anthony Trimarchi: My brother's best friend, Ashwin Paranandi, was [affiliated colleague] Ben Lira's assistant back when I was in college. I had just transferred to St. John's University from Sacred Heart, where I had played two semesters of baseball. I needed to declare a major because I couldn't play ball forever. Ashwin said to me, "You love math and, worse comes to worst, you [can] learn to invest your own money. You are always going to need to know how to do that." So I thought I'd give the finance major and job a shot. I remember Ben had to call the SEC to say, "This kid is 18 years old. He can't drink a beer. Can he run someone's money?"

FREE: **With all the options open to students approaching graduation, why did you stay on with Ben?**
AT: Right before I was ready to graduate, Ben offered to keep me on and get me licensed as long as I promised to stay for two years. I said certainly. At that point, all my friends were going to Merrill, Morgan Stanley, and Smith Barney—all the bigger firms.

FREE: **Did you hesitate, and wonder if you should go to a big firm, too?**
AT: Yes, when my friends were starting to get the money—you know, the sign-on bonuses, the health insurance. All that stuff is very enticing, but my handshake is my word and Ben and I made a deal. I did, however, tell Ben that I wanted to interview with a few other firms, just to get the experience. I went in to Lehman and Merrill.

FREE: **What was the environment like at those places?**
AT: It was very impersonal. I know trading floors are busy, but when I roamed around to ask how people liked it there, no one had more then 30 seconds for me. I really knew then that I had made the right decision.

FREE: **Does that experience remind you to stay independent?**
AT: Well, I think more and more there's no other way to be, especially in light of everything that's taken place this last year. Keeping the client first is the most important thing in building any business. I just ran into a guy I graduated with who initially went to Morgan Stanley. After leaving Morgan, he went to Merrill Lynch, and then another firm, and then another… He's jumped four times and now he's back where he started, building a business. For me, it just reinforces that the slow and steady pace usually wins the game.

FREE: **Speaking of building a business, how did you develop a client base?**
AT: It wasn't easy, and wasn't a lot of fun, and I don't ever want to go back there again! [I did] limited cold calling [and attended] a few seminars, but ultimately, much of my business came through referrals. I met an accountant through a networking function who, at the time, was sending his accounts to Smith Barney. He was fairly unhappy, so I said, "I know I'm young, and you don't know me well, but start me with one account and if that works, you'll give me two." So, that's basically how I built my practice, by just keeping my word and not over-promising.

FREE: **How would you describe your business style?**
AT: Comprehensive and multigenerational. Our clients never leave us. We pick up second and third generations, partly because we are so involved in their affairs, with going to the attorneys and setting up trusts with them. We're doing estate-plan coordinating with them, intertwined with the purpose of getting them the best comprehensive coverage.

FREE: **What is your business mix?**
AT: I would say it's a little of everything. I have 250 households and 33% to 40% of my investment work is advisory-based. It's something that the accountants who are working with me are comfortable with. They don't understand commissions; they understand fees for work you are going to do. Right now I'm doing a ton of work assisting clients in refinances of mortgage rates. Mortgage rates are so low right now, I can't not help a client lower their cost of living. I wouldn't say I have one thing that I do, because for me, it's about being a financial general contractor. There's always something to do to help somebody save money or try to increase their wealth.

FREE: **How have you been handling the current economic crisis?**
AT: This is the second crisis for me, the first being the tech bubble, but I didn't really have too many clients when that happened. I was really building my business then. This was the first one where I've had a lot more clients, and I have to say, I took this fairly tough. I tend to take things really personally and this was not fun. More than anything, the thing that kept me up at night was the uncertainty of not meeting someone's income, the uncertainty of having to reduce someone's income when they depend on it.

“It's about being a financial general contractor. There's always something to do to help somebody save money or try to increase their wealth.”

FREE: **Did you learn anything from the tech bubble that helps you get through what's happening now?**
AT: Generally, I would say because of that, I'm always more conservative with my clients' investments. Regardless of who they are, I always have some flavor of bonds in a portfolio. Because of that, I kept a lot of my clients out of trouble during this. But at the same time, there were things you couldn't avoid. There was no real area to hide in.

FREE: **When an insurance company bought your former broker/dealer, what made you and Ben decide to come to American Portfolios?**
AT: Very simply, we wanted to get back to true independence and be associated with people who weren't afraid to roll up their sleeves. It's about work ethic. That's what attracted us to APFS. When Ben first was introduced to Lon, he went to the home office in Holbrook and saw this tall guy moving file cabinets. And then he asked people, "I'm looking for Lon, the CEO." They said, "That's him right there, moving the file cabinets." Talk about being a business owner! It's about being able to do everything and anything. You have to be like that to succeed.

FREE: **I know you and Ben participate in monthly roundtable meetings with other APFS colleagues. Can you tell us about them?**
AT: Of course. It started three years ago at one of the APFS conferences. A few of us were just commiserating and we all realized that we do business similarly. After the conference, we decided to get together every month or so over some wine and cheese and share ideas. It helps, especially when you are in a small or solo office. Being independent, there's not an easy centralized place to get all that stuff. Having a once-a-month meeting has helped us share information and deal with client problems. APFS in general is about culture, and to me, you cannot put a price tag on the ability to work so closely with other colleagues in the field. These are people I'll know for the rest of my life.

FREE: **What does the future hold?**
AT: I've got the time to take it slow and provide for clients the way that I want to. I will give them everything they need to keep their interests first. It's really simple, and I find that some professionals make this business far more complicated than it needs to be. I think that any time people try to stretch for these sophisticated products that are generally beyond a client's knowledge—that is when they get themselves into trouble. Every time a new product comes through, I look at it with a critical eye. It's not to say that I'm not interested in new things, but products usually come into vogue, get very hot, everyone wants them, and boom! They blow up and there are gigantic lawsuits and advisors have to explain themselves. I never want to be in that situation. There are all these different bells and whistles out there, but nothing replaces good, old-fashioned financial planning. That's how I do business.

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AMERICAN PORTFOLIOS RIDES TO SUPPORT TROOPS Free 3.3 23

American Portfolios *Rides to Support Troops*

by Bob Vogel

In April, colleagues, friends, and employees of American Portfolios Financial Services (APFS) volunteered their time, fundraising skills, and pedal power to join 340 cyclists in the fourth annual Face of America bike ride. Sponsored by World TEAM Sports (WTS), the 110-mile, two-day ride from Bethesda, Md., to Gettysburg, Pa., honors and includes soldiers severely injured in the wars in Iraq and Afghanistan.

World TEAM Sports sponsored a group of 40 injured and disabled soldiers from military hospitals around the country to participate in the ride. Many of the soldiers are paralyzed or have amputations, and they rode various types of adaptive bikes such as hand cycles, which are recumbent three-wheel bikes with hand cranks.

"The exciting thing about taking part in a World TEAM event is that it's more than just raising money or helping out. You're a participant. Because of this you receive much more than you give," says APFS CEO and WTS Board Member Lon T. Dolber, who along with his teammates raised more than $15,000 for WTS. In a spirit of teamwork, each Team American Portfolios rider wore an eagle provided by Dolber on his or her helmet.

The first day's ride—a 65-mile leg—started in downtown Bethesda and wound past stately old homes and huge country estates and over long rolling hills. The hills, combined with record heat, proved to be a challenge.

"The sunny weather was great, but I definitely wasn't expecting the 100-degree heat bouncing off of the pavement," says Kaitlyn Crawford, a relationship management associate at APFS. "This was my first time seeing the different types of adaptive bikes. Watching people ride up those long hills using arm power was impressive. Their sheer willpower created an amazing energy for everybody."

1
74-year-old retired Navy pilot Lew Meyer riding a tandem bike solo. The backwards boots are a traditional tribute to the fallen.
Photo by Jon Steckbeck

2
Team Semper Fi nearing the finish in Gettysburg.
Photo by Jon Steckbeck

3
Army Lt. Colonel Gregory Gadson gets some help from his team on one of the many long hills.
Photo by Jon Steckbeck

It Takes Teamwork

One goal of every WTS event is for everyone to work together and finish as a team. As the miles wore on, the hills got longer and the heat grew more oppressive. Able-bodied cyclists assisted recently injured hand cyclists up the hills by grabbing push handles mounted to the back of the hand cycles. For other riders, the team's positive energy provided the inner strength necessary to get up the hills.

"We were being pushed to our limits and we worked together," says Crawford. "On the long hills, there were periods when I felt like I was going to give up, but people were there supporting me. Other times I was feeling strong and I was giving the support."

For APFS Operations Associate Greg Kelly, the ride was a tribute. "My grandfather was a naval officer in World War II and recently passed away, so I rode in his honor," he says. "I felt proud to be an active player supporting the troops on this ride."

Kelly was impressed by the crowds of people along the route who came out and cheered for the troops, waved flags, and held up signs and banners showing their support. "It was great to see people out there showing their appreciation for the sacrifices our troops make."

He adds that his experience on the ride has transferred to the office environment. "It was cool to become a team outside of the office," he says. "This is especially important to me as a young person new to the workforce. Back at the workplace we have powerful memories to share with each other."

"Watching people ride up those long hills using arm power was impressive. Their sheer willpower created an amazing energy for everybody."

– Kaitlyn Crawford
APFS Relationship Management Associate

Team American Portfolios rider and colleague John Kosinksi (at left, with eagle on helmet) pushes the author, Bob Vogel, up a long hill in farm country on the second day of the ride.
Photo by Marc Sullivan

After conquering the heat and hills of the first day, the team rolled into the Frederick, Md., SportsPlex, where they were greeted by cheering crowds, signs and banners of appreciation, and a welcome dinner hosted by the town of Frederick.

The second day consisted of a 45-mile ride from Frederick to Gettysburg, Pa., where the wooded hills gave way to open farm country. Just before noon, the entire tour gathered at the base of a steep hill to await the police motorcycle escort that would accompany them the rest of the way. Together, they crested the hill and rode the final miles through the historic battlefields of Gettysburg.

"I had never seen Gettysburg. Riding through it was very moving. There is so much history on those grounds, and we were making our own history with the troops," says Crawford. "It gave me chills."

Two 155mm cannons crossed over the road signaled journey's end, and the cyclists celebrated the ride's success with a barbeque.

"The entire ride was unlike anything I'd ever done before. Crossing under the huge cannons with the crowd cheering was an amazing feeling," says Crawford. "The group achieved something great and I'm honored to have been a part of it. There were times on the ride that were a challenge and I was wondering if I would do it again. In the end it was fantastic experience, and I am definitely going to do the ride next year!"

TOOLS OF THE TRADE

ANNUITY INTELLIGENCE REPORT

by Melissa Grappone

WHO: Annuity Intelligence Report (Advanced Sales Corporation)

WHAT: Annuity Intelligence Report is an easy-to-use, comprehensive tool that provides reps of American Portfolios Financial Services (APFS) information and diverse reporting on more than 300 active selling contracts and more than 900 active, inactive, and inactive-limited contracts from more than 60 insurance companies. Basic information such as fees, surrender charges, minimum purchase amounts, optional riders, state availability, sub-account information, and general company background are provided. Operational details of contracts such as death benefit pay-outs, how to achieve spousal continuation, the impact of withdrawals on various benefits, and how step-up and resets work are also fully and simply explained.

WHERE: Annuity Intelligence Report can be accessed through the American Portfolios broker website in Rep Services. It can also be accessed directly through STARS in the Transaction Blotter and the Business Processing Module.

WHY: Variable annuities and their features are complex, and this tool can simplify decisions about them by providing detailed information, performing a comparative analysis, and offering a search based on specific criteria against an extensive universe of variable annuity contracts.

WHEN: Annuity Intelligence Report is available when affiliated representatives receive their logins and passwords.

COST: There is no cost for using the Annuity Intelligence Report. All costs are absorbed by the firm.

USING THE PROGRAM

Annuity Intelligence Report has several key features. When reading this section, you may want to open the program and follow along.

RUN AN ANNUITY INTELLIGENCE REPORT FOR A SINGLE CONTRACT

This option allows you to locate a specific contract and review detailed information about it.

1. From the main menu, select the first bulleted item, "Run an Annuity Intelligence Report for a Single Contract."
2. Use the up/down scroll bar to scan the entire alphabetical list of active annuity products. For a complete list of all annuity products, check the "Include Inactive Contracts" box.
3. After locating the contract, select "View" to the far right of the carrier name to review your selected annuity intelligence report.
4. Click on "Print Friendly Version" to generate a PDF or hardcopy version. The system will ask whether you want to show all or only selected ones. This will affect the number of pages in your report.

VIEW CONTRACTS SIDE BY SIDE

This option allows you to select up to three contracts to compare them. You can also select contracts according to specific criteria for a more accurate comparison.

1. From the main menu, select the second bulleted item, "View Contracts Side by Side."
2. If you wish, select and filter annuities according to specific criteria and select "Filter Contract List." The options for filtering are:
   a. Carrier name
   b. Benefit type (GMIB, GMAB, GMWB, Lifetime GMWB, Return of Principal, Highest Anniversary Date, Fixed % Increase, Earnings Enhancement, Other, Account Value Only)
   c. Share class (B, C, L, Bonus, A, No-Load)
   d. Active contracts
   e. Inactive contracts
3. Use the up/down scroll bar to scan the complete or filtered alphabetical listing of annuity contracts.
4. After locating the specific contract, select "Add" to the far right of the carrier name. This will pull the annuity choice down into the selected contracts area. Repeat Step 3 for the second and third annuity contracts in your comparison.
5. Select "Generate Side-by Side Report."
6. Click on "Print Friendly Version" to generate a PDF or hardcopy version. The system will ask whether you want to show all or only selected ones. This will affect the number of pages in your report.
7. To conduct another side-by-side comparison using the same filtered contract list, select "Reset Contract List." To select new criteria, select "Reset Filtered List."

SELECTOR

This option allows you to locate an annuity contract with specific features.

1. From the main menu, select the third bulleted item, "Selector."
2. Locate an annuity product by selecting any or all of the following features:
   a. Minimum Premium
   b. Base Contract Expense
   c. Years of CDSC
   d. Bonus
   e. Maximum Issue Age
   f. GMIB
3. Select any or all of the following viewing options:
   a. To view by carrier, select "Group by Carrier"
   b. To select by product name, do not select "Group by Carrier."
   c. To sort by a specific feature in ascending or descending order (those indicated in Step 2), select the feature by using the up/down arrow keys.
   d. Select up to three annuity contracts for a comparative analysis by clicking the boxes to the right of the product names.

If you have questions about Annuity Intelligence Report, please feel free to contact Relationship Manager Melissa Wade at ext. 117, Manager of Representative Services Jared McGill at ext. 194, or Chief Operating Officer Dean Bruno at ext. 138.

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Crump
Life Insurance Services

Split Dollar Planning:

A Significant Wealth Preservation Tool for High-Net-Worth Clients

The dust has finally settled with regard to split dollar arrangements. The Final Regulations[1] apply to corporate split dollar arrangements and to private (family) split dollar arrangements. The good news is that the private split dollar arrangement is beginning to emerge as one of the premier strategies for wealth preservation planning for high-net-worth individuals.

The Problem

Terry and Margaret Tressel, both 65 years old, have a net worth of $30 million, primarily made up of real estate investments. The Tressels are aware of their potential estate tax liability and need for increased estate liquidity. They understand and value the role that life insurance can play in developing their estate plan. The Tressels would like to minimize their gift taxes. Both of them have already exhausted their lifetime gift tax exemptions for other purposes. With three children and gift-splitting, they are limited to a total of $78,000 of annual exclusion gifts per year.[2] How do they pay for a life insurance policy without having to pay additional gift taxes? The Tressels also want to know how to keep the policy's death proceeds out of their respective estates.

A Solution

The Tressels should consider establishing an irrevocable life insurance trust (ILIT) with the children as trust beneficiaries. The trustee applies for and owns a $15 million second-to-die UL policy on both of their lives[3] with the policy proceeds to provide any estate liquidity needs. The Tressels and the ILIT's trustee enter into a split dollar arrangement.

Under the arrangement, the trustee agrees to pay that portion of the survivorship policy's annual premium equal to the policy's economic benefit. The Tressels will gift this amount to the trust each year so the trustee may pay the insurer. The Tressels agree to pay the remaining portion of the annual premium directly to the insurer. Pursuant to the arrangement, the trustee executes a collateral assignment on the policy to the Tressels, giving them ownership of the greater of the total premiums paid or the policy's cash surrender value.

The arrangement also provides that after the first spouse's death, the trustee will continue to pay that portion of the premium attributable to the policy's economic benefit (the single life rates published by the insurance company) and the surviving spouse will continue to pay the premium difference. Upon the survivor's death, the estate of the surviving spouse will receive an amount equal to the greater of premiums paid or the policy's cash surrender value, and the trust is paid the remainder.

The Key

Because the Tressels maintain the rights to the policy's equity, the arrangement is taxed under an economic benefit regime. The annual gift to the trust by the Tressels of the policy's increasing economic benefit should qualify for the annual exclusion when done in conjunction with the trust beneficiaries' Crummey withdrawal rights. The table illustrates the effect.[4]

	Trust			Tressels		
Year	Economic Benefit	Cash Value	Death Benefit	Remaining Premium	Cash Value	Death Benefit
1	$2,076	$0	$14,828,784.75	$171,215.25	$0	$171,215.25
2	$2,638	$0	$14,658,131.50	$170,653.25	$0	$341,868.50
3	$3,330	$0	$14,448,170.25	$169,961.25	$0	$511,829,75
4	$4,149	$0	$14,319,028.00	$169,142.25	$0	$680,972.00
5	$4,947	$0	$14,150,837.75	$168,344.25	$51,914	$849,162.25
15	$30,010	$0	$12,568,439.25	$143,281.25	$1,426,676	$2,431,560.75
20	$74,511	$0	$11,972,436.00	$98,780.25	$1,587,387	$3,027,564.00
25	$189,885	$0	$11,790,615.75	$0	$431,449	$3,209,384.25

As we can see, the taxable gift to the trust (economic benefit) is lower than what the corresponding premium ($173,291.25) would be for the first 24 years of the plan.

Plan Advantages

There are several advantages with this arrangement.

- The gift tax exposure is significantly lower in the early years of the plan.
- The policy is owned by the trust; therefore, death benefit proceeds above the amount owed to the insureds are kept out of the insureds' estate.
- A return-of-premium rider can be included so that the trust receives the desired death benefit / net of the obligation to the insureds.

Plan Disadvantages

There are also several disadvantages with this arrangement.

- The economic benefit costs rise with age and rapidly accelerate later in life. Further, upon death of the first-insured, the economic benefit costs will be based on a single-life rate, which will also substantially increase the amount of the gift.
- Cash flow must be available for the premium payments.
- The portion of the death benefit paid to the insureds will be included in their taxable estate.

Exit Strategies

We see that the plan will likely become inefficient in the long run. As such, it is important to consider exit strategies when implementing a non-equity collateral assignment split dollar plan. If the insureds roll out of the plan, the amount of the forgiven obligation will be a taxable gift to the trust. Other exit strategies could be GRATs and repayment from current trust assets.

[1] Effective for split dollar agreements entered into after September 17, 2003.

[2] Based upon the annual gift tax exclusion available in 2009. Only gifts of a present interest qualify for the annual gift exclusion.

[3] Financial and medical underwriting is required. Life insurance is subject to policy limitations and exclusions and may not be available in all states.

[4] This example assumes that Terry and Margaret are both preferred nonsmokers. The data shown is taken from an illustration. It assumes a hypothetical rate of return and is not a representation of expected future results. Unless indicated otherwise, these values are not guaranteed.

Penn Mutual
A better way of life

Positioning Whole Life as a Foundational Part of Your Clients' Portfolios

AN INCREASING NUMBER OF PRODUCERS ARE HELPING CLIENTS COPE WITH VOLATILE MARKETS BY USING WHOLE LIFE INSURANCE TO ANCHOR THE CONSERVATIVE PORTION OF A DIVERSIFIED ASSET ALLOCATION PROGRAM. WHOLE LIFE CAN NOT ONLY ADDRESS YOUR CLIENTS' PROTECTION NEEDS, BUT CAN ALSO SATISFY THEIR LOW-RISK ALLOCATIONS, ALL WITH ONE SOLUTION.

WHAT MAKES WHOLE LIFE AN ATTRACTIVE OPTION?

TECHNICALLY, ANY TYPE OF LIFE INSURANCE CAN BE INCLUDED IN A CLIENT'S low-risk investment allocation. However, many producers have been successful in positioning whole life as a component in the foundation of their clients' overall financial plans because of the strong guaranteed death benefit and cash value, as shown in the figure at right. In addition to providing the potential growth offered by other low-risk investment options, whole life provides a guaranteed death benefit that meets clients' protection needs. Also, the cash value of a whole life policy will continue to accumulate at a guaranteed rate, even during times when your clients' other assets (including bonds) may experience a decline in value.

Using whole life as part of a client's allocation strategy provides a safe or conservative part of a financial plan and may allow the client to be more aggressive with other retirement plan allocations. Whole life helps clients ride through downturns within their risk tolerance, while the equities in their retirement plans potentially provide growth and the ability to recover from downturns.

WHY USE WHOLE LIFE?

WHOLE LIFE IS AN ATTRACTIVE SOLUTION THAT PROVIDES A FOUNDATION OF SECURITY in a total financial plan, helps protect a household's earning power, provides guaranteed growth and protection regardless of market performance, and gives clients a "permission slip" to allocate other funds towards risk-oriented investments.

WHO IS THE TARGET MARKET?

POSITIONING WHOLE LIFE AS AN ASSET CLASS IS IDEAL FOR CLIENTS WHO HAVE THE need for life insurance, appreciate the value of guarantees, and are candidates for an asset allocation discipline.

By recommending whole life as a conservative part of your clients' plans, you have the opportunity to offer your clients a return similar to one that you would expect from other low-risk investments, but also provide a significant death benefit that protects earning power while giving retirement plan money the flexibility to pursue growth.

For more information about Penn Mutual's Flexible Choice Whole Life, contact the Life Sales Desk at 1.800.818.8184, option 4.

THE INVESTMENT PYRAMID

The investment pyramid is a fundamental investment strategy that funds a plan based on the relative safety of various investments.

State of the Firm

Change

by Lon T. Dolber, CEO

I PRESENT YOU WITH THE SECOND-QUARTER 2009 performance results for American Portfolios. 2009 second-quarter revenues and fees of $15,696,614 decreased by 9% from second-quarter gross revenues and fees received in 2008 of $17,326,050. Despite a decrease in overall business for the second quarter,the comparisons of declines in gross revenues between quarters, (a 22% decline between 1Q 2008 and 1Q 2009 versus only a 9% decline between 2Q 2008 and 2Q 2009), reveal signs of a slowing down of losses. This can be attributed to incoming assets from new rep affiliates but is perhaps also due to a stabilizing market environment. A historical analysis of the quarterly performance results shows that 2009 second-quarter revenue figures were $5.4 million more than the total gross revenues received in the firm's first full year in business ($10.3 million in 2002) and approximately $4.4 million more in gross revenues received for the first three quarters of 2003 combined ($11.3 million).

Mark Twain said, "History does not repeat itself, it rhymes." When the financial markets recover, will things be as they were before? Or is a different way of thinking required from those who provide financial advice? Will financial professionals be willing to abandon long-mastered skills and practices that have worked in the past and adapt to the changing economic realties of the present and perhaps the future?

Some will be willing to look for new solutions rather than relying on the tried and tested approaches of the past. It is not always easy to abandon a long-held view and live with the discomfort that comes with doing something differently. Of course, the reward can be great when the tide turns and the professional is not left stranded, but instead finds himself or herself way ahead of the competition.

The first step in innovation is to separate the problem from the solution. For most, it is simply too easy to resume the same tried-and-true methodologies of the past once a crisis subsides.

Consider the individual who is suddenly stricken with a heart attack. The person is rushed to the hospital and a team of doctors work to stabilize him or her. Once the emergency passes and the

patient recovers, a new set of challenges looms ahead. How will the patient prevent another heart attack? What measures will the patient take? Will the patient quit smoking, make dietary changes, or get more exercise—or all three? Having survived such a health crisis, will the patient accept and adapt to his or her new reality? More importantly, will the patient recognize the opportunities for growth and well-being through change?

It is not easy. Only 20% of those who survive a heart attack will give up smoking, change their diet, or get more exercise. Instead, it is just too easy to fall back into the same old familiar lifestyle.

Some advisors have suggested that the traditional forms of asset allocation strategies may not have worked as well as they could have in 2008 and may not offer enough protection and benefits as planning tools going forward. Some have suggested that proper asset correlation may help to provide a better level of portfolio diversification.

Clearly, investment professionals will be examining all levels of their practices, from staffing to portfolio construction to the very services they provide to their clients. Change does not come easily. Practice leadership in today's financial markets involves coordinating the inevitable conflict and tension of change. If we can keep that in mind, in the end, the disturbances we face will be constructive rather than destructive.

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2009 Quarterly Review

April 1 – June 30, 2009

The second-quarter 2009 review for American Portfolios is shown on pages 31 through 35. This review has also been posted to the American Portfolios broker website in Rep Services.

Corporate Overview:

AMERICAN PORTFOLIOS HAS 60 FULL-TIME EMPLOYEES SUPPORTING 564 REGISTERED representatives, which includes 53 registered assistants and 22 registered employees as of June 30, 2009.

Financial Overview:

SECOND-QUARTER GROSS COMMISSIONS AND FEES OF $15.7 MILLION WERE LOWER than the second quarter of 2008, a 9.5% decrease of $1.6 million from $17.3 million. Gross revenues for the firm have increased over nine times since the fourth quarter of 2001 ($1.6 million in 4Q 2001 to $15.7 million in 2Q 2009). In an across-the-board analysis of products and services offered through American Portfolios, life insurance received the highest percent increase in gross commission of 122%, followed by fixed annuities with a 115% increase in gross commissions from 2Q 2008 (Table 1). All other products and services were down from the second quarter in 2008. Assets under management also dropped 12%, from $9.3 billion in the second quarter of 2008 to $8.2 billion in the second quarter of 2009 (Table 2).

Fig. 1

Gross Commission & Fee Revenue

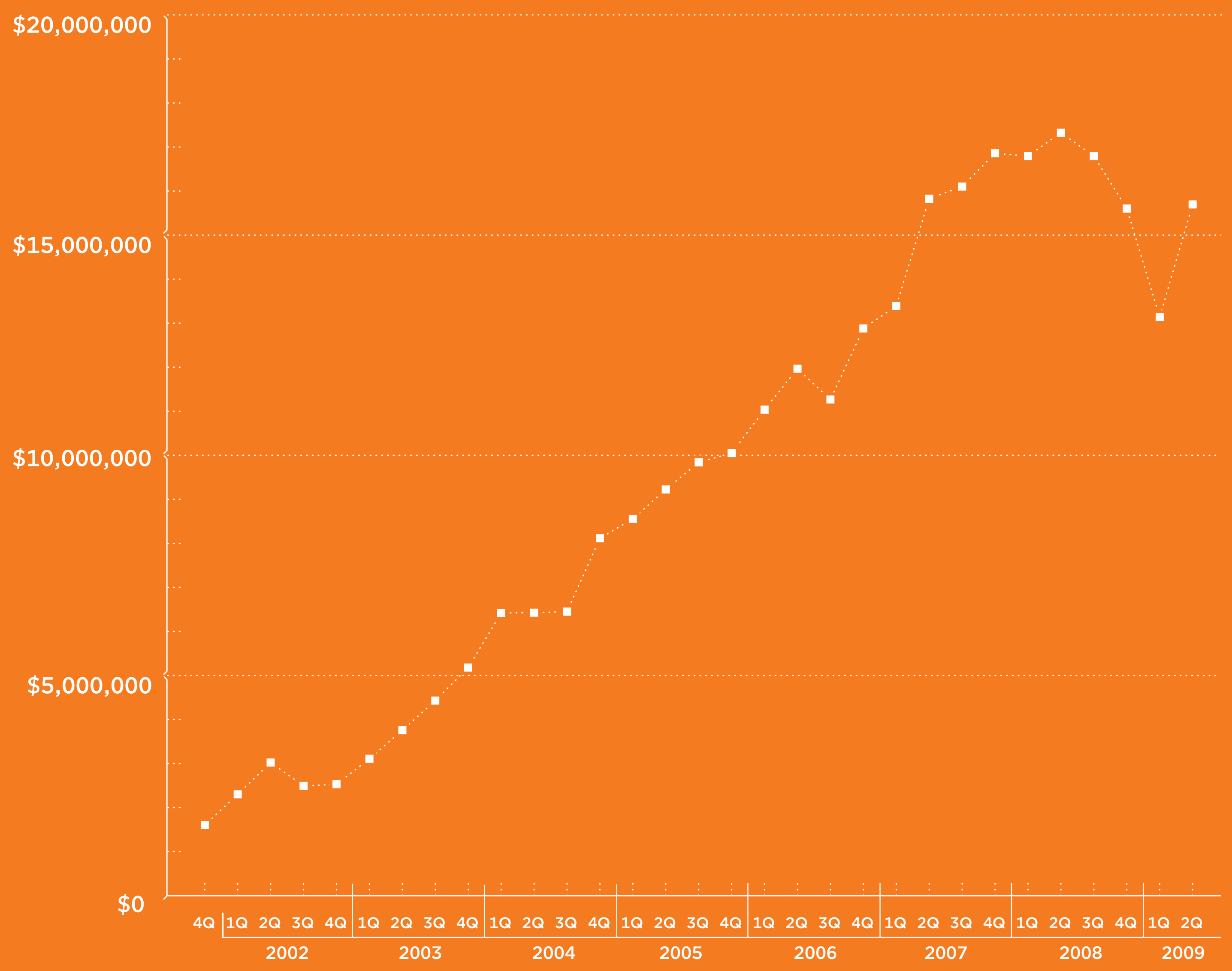


Table 1

Gross Commission & Fee Overview

Quarter	Mutual Funds	12B-1 Fees	Variable Annuities	Fixed Annuities	Life Insurance	Managed Accounts	General Securities	Alternative Investments
2001 4Q	$377,677	$337,396	$327,855	$483	$16,140	$ 0	$463,096	N/A
2002 1Q	$550,413	$389,682	$697,756	$28,245	$24,979	$32,406	$502,945	N/A
2002 2Q	$697,511	$500,594	$894,388	$14,003	$16,144	$89,201	$681,635	N/A
2002 3Q	$446,671	$480,835	$608,129	$90,130	$54,978	$66,546	$602,265	$10,500
2002 4Q	$504,510	$473,900	$514,489	$78,876	$41,808	$66,739	$667,726	$10,500
2003 1Q	$738,065	$465,601	$944,138	$111,164	$51,006	$90,852	$414,066	$42,740
2003 2Q	$890,264	$590,360	$902,892	$48,075	$186,158	$99,223	$747,131	$48,788
2003 3Q	$932,171	$745,759	$1,171,706	$107,766	$88,621	$126,321	857,482	$44,554
2003 4Q	$1,052,379	$891,779	$1,469,274	$185,860	$88,509	$250,466	$850,436	$73,784
2004 1Q	$1,392,634	$1,114,582	$1,961,656	$65,424	$75,229	$269,938	$1,090,539	$28,549
2004 2Q	$1,219,564	$1,207,981	$2,021,864	$38,002	$157,260	$433,380	$905,050	$118,893
2004 3Q	$1,219,144	$1,296,661	$1,833,477	$36,692	$163,314	$521,670	$823,100	$147,785
2004 4Q	$1,481,154	$1,486,261	$2,414,798	$29,594	$215,654	$583,219	$1,474,892	$43,848
2005 1Q	$1,824,456	$1,576,125	$2,453,958	$81,319	$144,146	$704,188	$1,298,549	$39,431
2005 2Q	$1,764,832	$1,649,075	$2,763,990	$90,674	$243,589	$790,887	$1,310,025	$87,983
2005 3Q	$1,594,608	$1,862,325	$2,791,314	$35,528	$235,170	$910,537	$1,658,235	$56,358
2005 4Q	$1,822,784	$2,025,972	$2,719,060	$102,760	$201,046	$1,125,763	$1,401,672	$25,772
2006 1Q	$2,168,221	$2,264,472	$2,946,526	$ 89,373	$162,797	$1,233,534	$1,743,557	$12,403
2006 2Q	$2,235,356	$2,547,285	$3,277,267	$84,973	$348,799	$1,463,952	$1,592,118	$91,368
2006 3Q	$1,586,985	$2,688,432	$2,902,267	$47,216	$291,917	$1,585,138	$1,392,330	$107,219
2006 4Q	$1,805,784	$2,762,047	$3,687,567	$64,962	$440,852	$1,764,368	$1,566,537	$265,725
2007 1Q	$2,228,559	$2,924,400	$3,713,477	$21,970	$322,265	$1,862,473	$1,647,707	$183,430
2007 2Q	$2,548,211	$3,110,878	$4,225,425	$153,306	$394,174	$2,263,331	$1,775,617	$520,311
2007 3Q	$2,237,248	$3,479,640	$4,517,128	$120,463	$412,929	$2,560,301	$1,932,932	$280,375
2007 4Q	$2,241,822	$3,458,638	$4,999,588	$170,699	$373,518	$2,826,110	$1,744,203	$437,141
2008 1Q	$2,315,571	$3,471,954	$4,360,367	$145,745	$736,771	$3,040,161	$1,814,538	$272,025
2008 2Q	$2,241,371	$3,457,992	$4,981,427	$169,016	$681,404	$3,103,679	$1,511,312	$445,075
2008 3Q	$1,855,832	$3,540,274	$4,641,943	$209,199	$906,442	$3,207,233	$1,396,466	$400,785
2008 4Q	$1,206,333	$3,060,978	$4,823,976	$483,905	$889,985	$2,828,270	$1,418,478	$223,561
2009 1Q	$1,301,853	$2,538,557	$3,405,101	$447,609	$665,130	$2,763,311	$1,158,586	$116,793
2009 2Q	$1,701,361	$2,635,830	$4,364,957	$364,158	$1,515,700	$2,725,085	$1,368,452	$366,967
Change from 2Q 2008	-24 %	-24 %	-12 %	+115 %	+122%	-12 %	-9 %	-17 %

Top 5

Top Five Fund Families by Commissions for the Second Quarter of 2009

1. $ 1,095,912 American Funds
2. $ 850,905 OppenheimerFunds
3. $ 477,342 Franklin Templeton Funds
4. $ 180,047 Eaton Vance Funds
5. $ 173,131 Fidelity Funds

Top Five Variable Annuity Vendors by Commissions for the Second Quarter of 2009

1. $ 792,760 Jackson National
2. $ 695,350 Prudential
3. $ 374,822 John Hancock
4. $ 369,079 Nationwide
5. $ 324,734 MetLife

Top Five Vendors' Assets Under Management as of June 30, 2009

1. $ 1,073,851,732 American Funds
2. $ 792,741,200 OppenheimerFunds
3. $ 470,624,882 Franklin Templeton Funds
4. $ 257,687,023 Nationwide VA
5. $ 243,300,808 American Skandia VA

Table 2

Assets with American Portfolios

Quarter Ending	Clearing Firm Assets	Assets Held Directly	Total Assets	Increase Over Last Quarter
09/11/2001	$407,939,561	$824,718,413	$1,232,657,974	
2003 2Q	$922,936,847	$1,212,135,975	$2,135,035,662	
2003 3Q	$1,039,499,742	$1,377,732,480	$2,417,232,222	
2003 4Q	$1,464,631,538	$1,701,665,682	$3,166,297,221	
2004 1Q	$1,379,050,247	$1,915,885,560	$3,294,935,807	
2004 2Q	$1,529,313,892	$2,005,769,082	$3,535,082,974	
2004 3Q	$1,621,558,602	$2,266,246,669	$3,887,805,271	
2004 4Q	$1,793,608,828	$2,525,624,801	$4,319,233,629	
2005 1Q	$2,072,980,621	$2,599,152,578	$4,672,133,199	
2005 2Q	$2,087,549,824	$2,714,366,636	$4,801,916,500	
2005 3Q	$2,283,338,949	$3,001,917,860	$5,285,256,809	
2005 4Q	$2,423,074,182	$3,201,420,077	$5,624,494,259	
2006 1Q	$2,707,615,433	$3,484,538,873	$6,192,154,306	
2006 2Q	$3,119,371,820	$3,471,519,408	$6,590,891,228	
2006 3Q	$3,274,773,125	$3,627,859,456	$6,902,632,452	
2006 4Q	$3,477,988,173	$3,809,967,199	$7,287,955,372	
2007 1Q	$3,686,918,635	$4,128,268,176	$7,815,186,811	
2007 2Q	$3,873,325,137	$4,475,309,135	$8,348,634,272	
2007 3Q	$4,200,417,192	$4,836,172,531	$9,036,589,723	
2007 4Q	$4,428,919,887	$5,080,882,861	$9,509,802,748	
2008 1Q	$4,450,873,800	$4,673,183,354	$9,124,057,154	
2008 2Q	$4,506,944,841	$4,753,584,991	$9,260,529,832	
2008 3Q	$4,486,928,475	$4,811,026,955	$9,297,955,430	
2008 4Q	$3,650,509,827	$3,806,557,881	$7,457,067,708	
2009 1Q	$3,709,229,426	$3,620,473,004	$7,329,702,430	
2009 2Q	$4,041,940,609	$4,134,002,438	$8,175,943,047	
+/- over 2008 2Q	-10 %	-13%	-12%	

Representative Overview

9/10/2001 – 6/30/2009

Between September 10, 2001, and June 30, 2009, 714 new representatives have joined the firm while 374 representatives have been encouraged to leave. During the same period, quarterly revenues have increased by $14,093,525 (4Q 2001$1,603,089–2Q 2009 $15,696,614).

Table 3

Second Quarter 2009 New Colleagues

First Name	Last Name	City	State	Supervising Principal	Start Date	Status
John	Johnson	Dover	OH	Jack Butler	4/9/2009	Account Executive
Joseph	Remia	Holbrook	NY	Lon Dolber	4/14/2009	STAFF
Charles	Crotts	Lexington	NC	Elizabeth Munday	4/14/2009	Account Executive
Gerald	Gibbons	Holbrook	NY	Lon Dolber	4/17/2009	STAFF
Sharon	Tart	West Palm Beach	FL	Richard Gerepka	4/17/2009	Account Executive
Patricia	Hunter	Rockville Centre	NY	Robert Bolebruch	4/24/2009	Assistant
William	Murphy	Huntington	NY	Stephen Davis	4/27/2009	Account Executive
Robert	Griffin	Stuart	FL	John Wiswell	5/4/2009	Account Executive
Howard	Fullenbaum	Holbrook	NY	Timothy O'Grady	5/8/2009	Assistant
David	Olson	Kentwood	MI	Donald Carlson	5/15/2009	Account Executive
Stephen	Conte	Rockville Centre	NY	Robert Bolebruch	5/15/2009	Account Executive
Lili	Monassebian	Uniondale	NY	Bernardo Lira	5/15/2009	Assistant
Barbara	Treadwell	Savannah	GA	Jane Desmond	5/26/2009	Account Executive
Abraham	Bitton	Holbrook	NY	Lon Dolber	5/28/2009	STAFF
Craig	Panarella	Southington	CT	Edward Levine	5/28/2009	Account Executive
Rebecca	Allen	Rochester	NY	Robert Bartolotta	6/3/2009	Assistant
Matthew	Potter	Kentwood	MI	Donald Carlson	6/4/2009	Account Executive
Mark	Stoltzfus	Lancaster	PA	Louis Tagliaferro	6/8/2009	Account Executive
Philip	Graham	Cornelius	NC	Elizabeth Munday	6/15/2009	Principal
Keith	Furio	Holbrook	NY	Edward Levine	6/18/2009	Account Executive
Steve	Hipsley	Saratoga Springs	NY	David Bangert	6/22/2009	Account Executive
Charles	Rizzo	Elmhurst	IL	Donald Carlson	6/30/2009	Principal

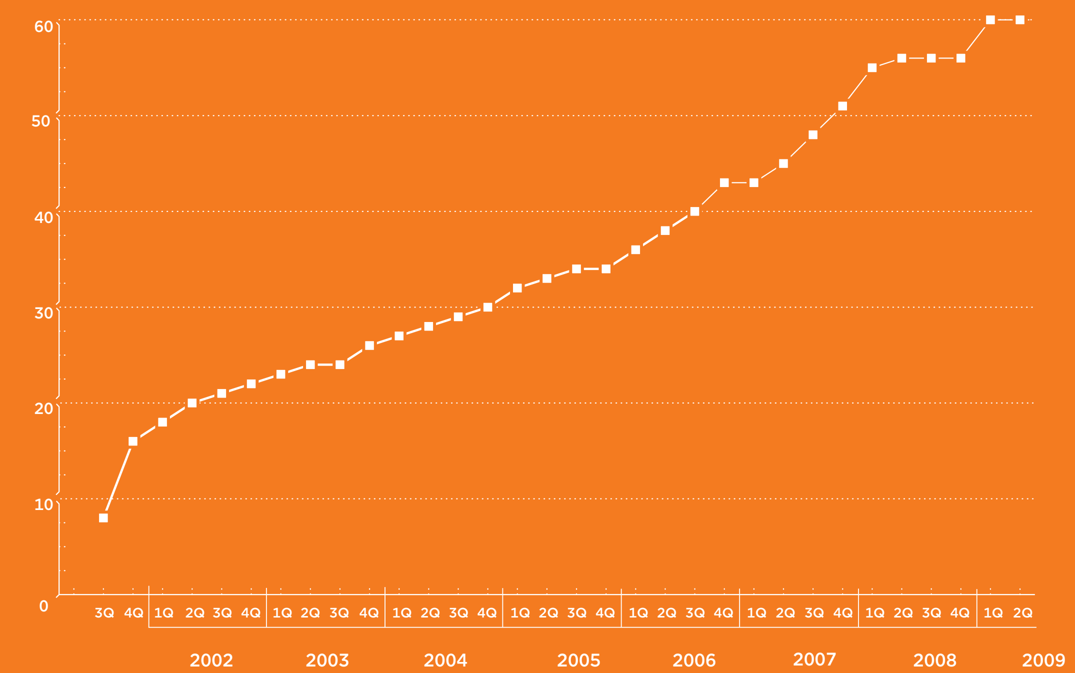
Recruiting and Marketing Overview

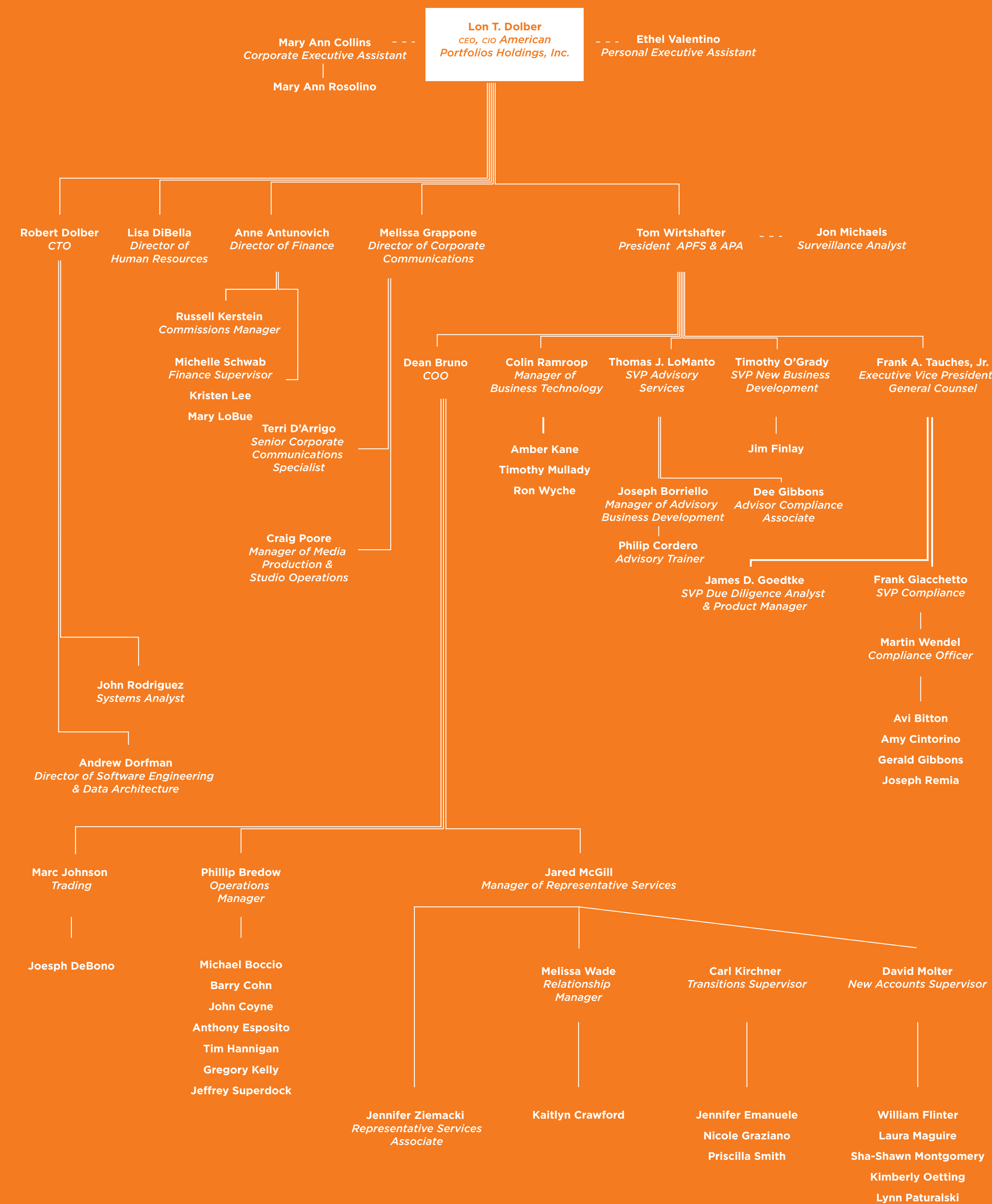
The firm continues to attract new colleagues and networking opportunities, and calls from prospective candidates are a regular occurrence for the New Business Development area. As of June 30, 2009, the broker/dealer had 564 registered representatives, which included 49 registered assistants and 23 registered employees working from 81 Offices of Supervisory Jurisdiction as well as 311 Branch Office locations. There were 22 new associates affiliated with the firm in the second quarter of 2009. As of June 30, 2009, there were 492 producing registered representatives at the firm.

A total of 22 new representatives have joined the firm, while 18 representatives have been encouraged to leave during the second quarter of 2009. During the period of September 10, 2001, to June 30, 2009, quarterly revenues have increased by $14,093,525 (4Q 2001 $1,603,089–2Q 2009 $15,696,614).

Fig. 2

Employee Growth





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