

FREE

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American Portfolios Financial Services, Inc.
4250 Veterans Memorial Hwy., Ste 420E
Holbrook, NY 11741

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From the Editor-in-Chief



I AM PLEASED to present you with the first in a series of four more editions of *FREE* for 2010. All totaled, this is our 12th edition and fourth year in publication.

Since its inception, *FREE* reports American Portfolios' most current quarterly performance results (those available at press time) in the last pages of each and every edition. As evidenced by the 2009 fourth-quarter performance results, which, overall, reported a disappointing year in gross revenues, 2009 was probably one of the most difficult years in financial services for many, if not all of us. Yet interestingly, the results reveal an encouraging upward turn in the business. As summarized by CEO Lon T. Dolber in the introduction of his State of the Firm commentary (pg. 32), 2009 fourth-quarter gross revenues of \$18.1 million were the highest ever received in any previous quarter of the firm's nine years in business. With indications that 2010 could put us back on track for positive growth, we all have a vested interest in each other's success. While APFS will continue to maintain the right balance of payouts, expenses and services for its affiliated financial professionals, (read the summary of highlighted services and support rolled out for 2010 in COO Dean Bruno's column, pg. 7), you, in turn, must continue to stay positive and productive.

In this edition of *FREE*, we have a collection of content that will inspire and encourage you in your business as you work through a challenging—yet promising—year. With independence comes a spirit of entrepreneurialism that you'll find in many of the articles written for this edition.

There is always something we can learn from others in business, even if they come from a different industry. You'll see examples of this, first, in the President's Perspective. Tom Wirtshafter raises the question of how to find more clients and get more business, and also reflects on a personal story about how his father left a family-run business in Ohio to start a new one on his own in the Adirondacks (pg. 9). In our newest column, which profiles end-clients, a business owner in the creative design industry, who is also a client of colleague Greg Blank, reveals the secrets of his success and shares his philosophy about being in business for oneself.

But if you'd like to be inspired by individuals in our own industry, then you don't need to look any further than the featured rep articles and Q&As of the last 11 issues of *FREE*, not to mention two new articles from this edition: the featured rep piece on Holbrook, N.Y.-based Senior Managing Director George Elkin (pg. 16) and a Q&A with colleague Aaron Swanson from Ashland, Wis. (pg. 24). Here you'll find a wide assortment of inspirational stories from fellow colleagues to get you motivated this year.

Just as we want you to feel inspired, we also want to provide you with practical and constructive insights that will encourage you to generate business safely and smartly. General Counsel Frank Tauches' observations about the wealth of support and guidance coming from what he refers to as "the backbone of our firm," the OSJ supervising principals, are an important and necessary resource that should be relied upon by reps in the field (pg. 10). This edition's INSPIRE piece from Advisory Services reports on some very telling research findings about the advisor-client relationship and the subtle, yet very real, distinction between engaged and content clients (pg. 11). Colleague Pat Powell of Martinsville, N.J., shares her insights in an

open letter to her advisory clients on the pure facts of the current economy and financial markets, and what adjustments she recommends (pg. 12). Colleague Jack Butler of Middleburg Heights, Ohio, promotes the merits of a financial plan as a basis for the client-advisor relationship and a tool for managing client expectations (pg. 13). And an UpClose interview with Cindy Hurley, assistant to colleague Doug James of Paramus, N.J., shows just how invaluable a dedicated staff member can be to one's practice (pg. 14).

Finally, focus partners Pacific Life, Penn Mutual and MetLife offer helpful and practical advice, respectively about risk versus reward strategies for clients (pg. 28), the impact of falling interest rates on estate planning (pg. 29) and ways to support your clients who are looking for a "Next Career" (pg. 30).

It is a privilege to be a part of this extraordinary network of inspiring individuals who make up the entire American Portfolios community. Equally inspiring is the collective acts of social responsibility (pg. 26) that emanate from this group and impact other communities in need. ●

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**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 **Melissa Grappone** at mgrappone@americanportfolios.com.

COMMUNITY

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.)

March 22	FP	Lunch Meeting Sponsored by Nationwide Susan O'Connor, Noon
March 29	FP	Lunch Meeting Sponsored by Allianz Lorraine Lods, Noon
April 2		Market Closed for Good Friday
April 5	FP	Lunch Meeting Sponsored by Jackson National Steve Burke, Noon
April 19	FP	Lunch Meeting Sponsored by Prudential Carrie Short, Noon
April 22 - 25		FPA Retreat 2010 Hyatt Regency Hill Country Resort San Antonio, Texas www.fpanet.org/EventsConferences/Conferences/Retreat/
April 26	FP	Lunch Meeting Sponsored by Franklin Templeton Bill Sheluck, Noon
May 3	FP	Lunch Meeting Sponsored by MetLife John Nahas, Noon
May 3 - May 5		American Portfolios Regional Meeting PGA National Resort & Spa Palm Beach Gardens, Fla.
May 10	FP	Lunch Meeting Sponsored by National Integrity Keith Carravone, Noon
May 12		OSJ Manager/Principal Conference Call 4:15pm EST
May 17 - 19		American Portfolios Regional Meeting Hyatt Regency Long Island at Wind Watch Golf Club Hauppauge
May 24	FP	Lunch Meeting Sponsored by American Funds Steve Calabria, Noon
May 31		Market Closed for Memorial Day
June 2	FP	Lunch Meeting Sponsored by Penn Mutual Ken Junge, Noon
June 7	FP	Lunch Meeting Sponsored by John Hancock Valerie Freiberg, Noon
June 9-11		INSITE™2010, Pershing's Financial Solutions Conference The Westin Diplomat Hollywood, Fla. www.pershing.com/events/insite/index.html
June 14	FP	Lunch Meeting Sponsored by OppenheimerFunds Wendy Ehrlich, Noon

Free

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Jack Butler is an affiliated colleague and Managing Director of American Portfolios in Middleburg Heights, Ohio. He joined American Portfolios in 2003 and opened the firm's first OSJ in the state. He graduated from the University of Akron, where he majored in Business Communications. Jack has been in the financial services industry for 10 years, but grew up learning the business from his father, Don Butler, who is also affiliated with the firm. This is Jack's first time contributing to *FREE*.

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Patricia Powell is a Certified Financial Planner in Martinsville, N.J., and has been an affiliated colleague of American Portfolios since 2005. Patricia has 25-plus years in the financial services industry where she runs her financial planning practice, The Powell Financial Group. A prior contributor of *FREE*, Pat has also contributed economic and market commentary to such news powerhouses as CNN, The Wall Street Journal and often, Fox News where she is a regular voice.

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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 Web site and enter the title of the video in the search field. To scan the program lineup, click on "Top Videos" or "Browse."

AP Operations Net Exchange Pro Tutorial Videos

AP's operations department and Studio 454 have completed the first three Net Exchange Pro tutorial videos, which give quick, step-by-step instructions for submitting various online asset movement function requests. To view these tutorials, enter the search words "Net Exchange Pro" or "Tutorial." These can also be found in the General Securities section via the bulleted item titled American Portfolios Net Exchange Pro Tutorial. Operations Associate Greg Kelly will show you how to submit requests for First Party Checks, Third Party Checks and IRA Distributions.

Advisors Circle 03 and 04

Studio 454's On-Demand video series, The Advisors Circle, features top APFS advisors discussing issues relevant to all American Portfolios representatives. The third episode features advisors Ron Bergmann, John Kosinski and host Bill Donahue in the second of a two-part program that covers developing and operating a fee-based advisory business. To view this program, enter "Advisors Circle 03" in the Studio 454 search field.

The fourth episode brings together Managing Directors George Elkin, David Rey and Mike Lytle in a round-table discussion about the balance of supporting the reps they supervise with running their own practices, communicating with their reps in the field who are not directly in their offices, how the technology, namely STARS, has helped them to manage better and how to keep up with compliance and impending regulations. To watch this edition, enter "Advisors Circle 04" in the search field.

Indianapolis Regional Meeting

The video production department boxed up Studio 454 and shipped it out to the Midwest for the APFS Regional Meeting in Indiana. Our digital production crew captured a number of the presentations held at the event. To pull up a list of these videos, enter "Indiana" or the leading titles for the remaining lineup.

Economic & Financial Outlook with Oppenheimer's Brian Levitt

Corporate Economist Brian Levitt of OppenheimerFunds provides commentary on the recovery, the expansion, the structural impediments for growth and the impact on investors for the second half of 2010 and beyond.

Business Reconstruction with Curian Capital

This seminar is a detailed examination of the difficulties facing today's financial advisors. Curian Capital's Director of Professional Development, George Ray, illustrates important techniques for developing your business in the current market.

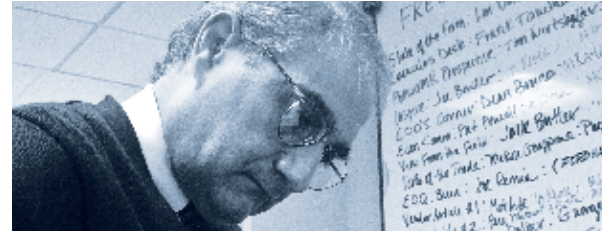
Pershing Solutions and Tools

Follow along with Pershing Vice President Tina Nuppanau-Singh for a comprehensive look at investment solutions, products and tools available on the Pershing brokerage platform. This presentation was very popular at the Indiana Regional Meeting.

Protecting Senior Investors, presented by Nationwide Financial

With more baby-boomers reaching retirement age, it is important to learn techniques for protecting their retirement portfolios in the current market. Check out this presentation which offers just that, hosted by Nationwide's Doug Allen.

EMPLOYEE OF THE QUARTER Joseph Remia



COMING OF AGE during the anti-Vietnam War era and experiencing the Kennedy assassination, Joe Remia admits that he's always been "a political animal." Perhaps that is why 24 years after attaining his undergraduate Political Science degree from Northwestern and his master's degree in Journalism, the decision to go back to Fordham University in 1999 to study International Political Economics wasn't too far-fetched. Having spent his entire professional career working for such firms as Lehman Brothers, Citicorp, Standard & Poors and The Bank of New York, Joe wanted to combine what he'd learned in the work force and test it intellectually.

Ten years later, in the fourth-quarter of 2009, Joe fulfilled his goal and completed his degree from Fordham. Aptly, it was also in this fourth-quarter that Joe was awarded Employee of the Quarter at American Portfolios. As an associate with the Compliance Department, Joe is responsible for handling the day-to-day functions of the department; specifically, reviewing, updating and maintaining all of the firm's internal procedures, policies and manuals. Armed with a well-rounded understanding of this financial world, Joe brings an impressive blend of both academic and industry-specific experience to the firm. His understanding of SEC and FINRA rules and regulations, branch examinations, exception reporting and general business management practices, combined with his philosophical understanding of political economics, makes him a notably valuable asset to the firm.

"Joe's approach is very professional and very mature," says his department head, Frank Giacchetto. "He takes pride in whatever jobs he's assigned, and doesn't mind spending the extra time it sometimes takes to get things accomplished."

"There's the concept that compliance is adversarial to the market and doing business," offers Joe. "In essence, it's a complement to it. Politics, government and economics need not be adversarial, there are ways to be symbiotic." In terms of how this applies to his position at APFS, he offers this—"When I'm dealing with a broker, or an OSJ, the most important thing I want to project is that I'm not doing this to prevent you from doing business; I'm doing this to help you continue doing business. Compliance protects the firm's assets. Regulation works."

Congratulations, Joe, for your recent academic and professional accomplishments. ●

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NEW EMPLOYEES



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Joined APFS in October 2009

As a Network Administrator, Bob coordinates preventative and remedial maintenance on the firm's network infrastructure, ensuring maximum availability of all network-based services. Additionally, Bob ensures that the desktop computers within the Holbrook complex are properly configured while supporting the business technology department in the deployment and troubleshooting of desktop computers.

Bob brings a wide range of computer technology experience to the firm, having worked in a quality assurance and information technology capacity for more than 20 years. Prior to coming to American Portfolios, Bob worked as a Systems Administrator and Programmer for Boundless Technologies in Hauppauge and Farmingdale, N.Y. He was employed with the firm for most of his working career. Bob received his B.S. in Computer Science from SUNY at Albany. ●



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As a New Accounts Associate, Joseph assists in performing those tasks associated with the processing, review and interactive completion of new account forms and new account information for hard-copy forms and STARS. This includes reviewing new account information for accuracy, conducting homeland security checks on new investing clients, submitting clearing firm requests and opening brokerage accounts.

Joseph earned his B.S. in Business Administration from Pace University's Lubin School of Business in May 2009. He brings customer service experience to

the firm, having worked as manager of Circle M Beverage Barn, Inc., where he handled customer transactions, assisted customers with special orders and coordinated delivery schedules. In his off hours, Joseph enjoys playing golf, spending time at the beach and traveling. He resides in Westhampton, N.Y. ●



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As a New Accounts Associate, Kaitlyn assists in performing those tasks associated with the processing, review and interactive completion of new account forms and new account information for hard-copy forms and STARS. This includes reviewing new account information for accuracy, conducting homeland security checks on new investing clients, submitting clearing firm requests and opening brokerage accounts.

Kaitlyn received her B.S. in Business Administration from St. Joseph's College in May 2009. She has studied abroad, including a semester in Italy and a semester in Australia. She has a background in customer service, having held a position with Costco Wholesale in which she answered customer inquiries and completed refunds. Kaitlyn loves to travel and is a huge fan of baseball and football. She resides in Ronkonkoma, N.Y. ●



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Joined APFS in October 2009

Ryan's responsibilities as Operations Associate involve all day-to-day functions of the Operations Department for brokerage business through our clearing firm, Pershing, LLC. He issues Pershing checks and wires and processes incoming account transfers. He also processes Pershing journals, check deposits, ACH requests and stock certificate deposits.

Ryan came to the firm in October 2009 after an internship with the Newedge Group, where he provided trade support for the bank debt, loans and LCDS broker desk. He also booked customer trades and researched and corrected all trade breaks and discrepancies. He received his B.A. in Psychology from SUNY Albany in 2007, where his coursework included a semester abroad in Australia. In his free time, Ryan enjoys snowboarding and fishing. He resides in Westhampton, N.Y. ●



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Joined APFS in December 2009

As a Corporate Communications Associate, Shauna supports the ongoing functions of the Corporate Communications Department. More specifically Shauna is responsible for processing stationery orders, maintaining recruiting kit supplies, updating content for the public and private sides of the APFS Broker Web site and preparing press releases for the firm on both a grass roots and national level. Shauna also assists Director of Corporate Communications Melissa Grappone in reviewing and editing internal APFS documents, the quarterly magazine *FREE* and the internal newsletter, *The Independent*.

Shauna received her B.S. in Communication and Journalism from the University of North Florida in May 2007 and shortly thereafter worked as a staff writer for a regional newspaper in Southeast Texas called *The Examiner*. Shauna joined American Portfolios in 2009 after relocating to Long Island with her husband. They now live in Nesconset, N.Y.

In her spare time, she likes to read, watch movies and watch sports, rooting for her hometown Boston Red Sox. ●



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NEW EMPLOYEES

As an Advisory Services Associate, Sara provides day-to-day support to the Advisory Services Department. More specifically, Sara is responsible for processing and tracking any U4/U5 registrations and licenses in the IARD system. Per SEC books and records requirements, she also updates and maintains licensing, state registration, professional designations and test requirement information. In addition, Sara contacts state securities regulators for status updates and to troubleshoot problems with IAR licenses, interacts with other departments at the firm to keep them apprised of any IAR status changes that could impact their processes, performs credit checks on solicitor candidates requested by affiliated IARs and processes and tracks all third-party manager and custodian IAR affiliation requests.

Sara received her B.S. in Visual Arts from the State University of New York–New Paltz in May 2008. While Sara joined American Portfolios full-time in November 2009, her experience with the firm includes several summers as a Transitions and New Accounts Assistant with the firm, conducting various accounts transfer processes, client mailings and new account entry functions in APFS' STARS system. In her spare time, Sara enjoys horseback riding, painting and going to the beach. She is a resident of East Moriches, N.Y. ●



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As an Operations Support Associate, Danielle assists with the day-to-day administrative tasks of the New Accounts, Transitions and Operations departments and provides support to other departments as needed. She is the point-of-contact for the fax and copier machines and steps in as a back-up for the firm's Mailroom Associate and Corporate Receptionist.

Danielle received her B.A. in Business Administration from the State University of New York Institute of Technology in August 2009. She also has an associate's degree in Liberal Arts from Suffolk County Community College. In her spare time, Danielle enjoys playing tennis, cooking, jogging and caring for her dogs. She resides in Manorville, N.Y. ●



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Joined APFS in December 2009

Anthony is an integral team member of the Compliance Department and supports Senior Vice President of Compliance Frank Giacchetto and Compliance Officer Martin Wendel with many of the day-to-day responsibilities of the department.

More specifically, Anthony reviews and responds to activity on the compliance surveillance system, prepares all NASD Reg 3070 requirements, coordinates and administers the firm's continuing education program and reviews all outside business activities from affiliated reps in the field.

Anthony holds his series 7 and 24 securities licenses and is life and health insurance licensed as well. He joined American Portfolios in December 2009 after working in the financial services industry for the last 12 years for such firms as MetLife, GunnAllen Financial Services and Morgan Taylor and Company. In addition, he is a Web master and enjoys building Web sites freehand. In his spare time, Anthony also enjoys golfing, fabricating jewelry and spending time with his family. He is a resident of Ronkonkoma, N.Y. ●



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COO'S CORNER

GROWTH AND CHANGES FOR A NEW YEAR

by Dean Bruno

2009 was an incredible year for growth at APFS, with over 175 new colleagues having joined the firm. As we embark on a new year, we anticipate comparable growth for 2010. The firm is geared up for a new year with additional staff, modified processes and enhancements and an updated conference and meetings schedule.

New Staff

In 2009, 17 new staff members were hired, seven of whom joined the firm in the fourth-quarter alone. These recent hires were added to Operations, New Accounts, Compliance and Corporate Communications. There are more hires planned for the first quarter of 2010 and throughout the year.

Upgraded Processes and Enhancements

New Equity Indexed Annuity (EIA) Guidelines And Procedures

EIA Guidelines and Procedures were revised to reflect the current regulations for these products and how affiliated colleagues at the firm need to process and post them in the Business Processing Module through STARS. These updated guidelines and procedures can be found in the Insurance section of the APFS Broker Web site in the Equity Index Annuities folder. The revised Equity Index Disclosure forms have been posted to the Forms library on the broker Web site as well.

Enhancements to the Fixed Income Desk

American Portfolios has expanded its relationships with the Pershing Fixed Income Desk and Advisors Asset Management (AAM).

Pershing's fixed income offering provides affiliated colleagues with access to a wide range of secondary and new issue offerings. Advisors Asset Management (AAM) provides an added resource for the fixed income desk for fixed income markets, Unit Investment Trusts (UITs) and structured products. AAM also offers extensive financial services including portfolio construction and analytics.

ARC Insight

This new system has been integrated into our Web-based services to provide Alternative Investment

industry insight and program education to the broker/dealer and its affiliated colleagues. ARC Insight also provides an efficient process for introducing and monitoring new offerings within the Alternative Investment arena.

VA Pre-Approval Procedures

Per FINRA Rule 2821 requirements, procedures were revised, implemented and incorporated into the BPM in STARS for pre-approval by a supervising principal of an initial VA purchase. The electronic nature of STARS enables such transactions to be reviewed expeditiously so that paperwork can then be forwarded to the insurance company for processing. You can find these guidelines in the Insurance section of the APFS Broker Web site.

STARS V2

After a long and arduous rollout, STARS V2 will have just been rolled out at, or around, the release of this edition of *FREE*. The new version has created improved functionality and behind-the-scenes workflow efficiencies.

Pershing Efficiency and Enhancement Initiatives

New for 2010, beginning June 1, Pershing will implement its "Going Green" initiative by instituting a surcharge for Brokerage Account Statements and Trade Confirmation documents delivered to our clients via regular mail. Pershing will also implement a surcharge for Interested Party or Additional Account Participant documents, effective Dec. 1. To avoid such surcharges your clients can request paperless statements and confirms by signing up to the free service, My E-Document Suite at myedocumentsuite.com.

Additionally, American Portfolios, in cooperation with Pershing, has implemented a premium version of the 1099 statement that includes realized gains and loss information for Pershing Non-Qualified accounts with market values of \$50,000 or more,

along with Pro Cash Plus Gold and Platinum clients. The Tax and Year-End Statement also includes 12 months of checking and debit card activity, electronic deposits and withdrawals, dividends and interest. The broker/dealer will be absorbing the costs associated with this premium service.

New and Improved Independent

So that we may better provide a place to manage and highlight the wealth of information that is amassed on our Web site, APFS' e-Newsletter, *The Independent*, has transformed into a contemporary and true online news viewing experience. Designed in a free and open-source blog publishing application called WordPress, content is logically grouped in categories for easy access and search capability, with the ability for readers to also submit comments on the news postings they read.

Revised Conference And Meetings Schedule

APFS has revised its Conference and Meetings schedule, which can be found in the Rep Services section of the APFS Broker Web site in the APFS Conferences folder. By popular demand, 2010 will host three regional meetings throughout the year. The dates and locations are as follows:

- May 3–5 at the PGA National Resort and Spa in Palm Beach Gardens, Fla.
- May 17–19 at the Hyatt Regency Long Island at Wind Watch Golf Club in Hauppauge, N.Y.
- October 4–6 at the Hilton in Indianapolis, Ind.

As a reminder, managers of registered branch locations who attend a regional meeting will not be charged the APFS annual branch fee of \$750 for 2010. Complete details of each regional meeting will be forthcoming and will be communicated via *The Independent*, *The American Perspective* and the APFS Broker Web site.

As American Portfolios continues its upward trajectory, we look forward to supporting these and other upcoming changes to help better serve you and your clients.

Cheers to a prosperous year. ●

Dean Bruno
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Getting people to want to do business with you

by Tom M. Wirtshafter

LIKE IN ALL businesses, financial service professionals succeed by getting people to do business with them. Sounds easy, right? But how do we find clients and how do we get them to do business with us? The question reminds me of my dad, who left a successful family business in Cleveland, Ohio, to start one of his own in the Adirondacks.

If you think my father was a lover of nature and cold weather, you would be half right. But truth be told, after working with his father, uncle and cousins for 35 years, he'd had enough. While my dad shared the ownership of the family business in Ohio, he never took credit for the work he'd done. He always thought his success came from the fact that his father's name was on the door. He helped build Wirtshafter's Inc. into the largest office furniture and supply company in Ohio, but he and my mom always hoped to build a new life together and create a success of their own. So, at the tender age of 60, they sold the only home they'd ever known and, with the proceeds, bought a small office supply firm in Plattsburgh, N.Y.

My dad once told me, if you can get someone to like you, they will buy from you.

As the stranger in town, Dad knew he had to expand the small business by finding new customers. For several weeks, he and Mom went on "reconnaissance missions," looking for companies and factories to do business with. In an age where there was no Internet, but where gas prices were low, they visited every small town within 60 miles of Plattsburgh. After much searching, he targeted the five biggest employers in the area—Harris Graphics, the Plattsburgh Air Force Base, Dannemora Prison, Champlain Valley Hospital and Ayerst Labs.

Over several months, he started to make contacts at each of his targeted companies. While he knew one of the managers at Harris, he didn't have leads at any

of the other four companies. A new friend he met in Plattsburgh recommended him for membership on the Air Force Community Liaison Committee, which not only gave him an in with the business, but an opportunity to fly a few jets! Knowing that many of the managers at the other companies were members of the local Elks Club, Dad joined. It also helped that Mom could gamble there once a month. As for the hospital, it wouldn't surprise me if Dad made Mom feign sickness as an excuse to stop by the hospital's purchasing department, just to say hello.

He started to advertise, too, and came up with an ad campaign, "We'll Go Anywhere," to lease office equipment. He even took a television crew to the top of Whiteface Mountain to let people know that no matter where they were, he'd lease them a machine and be there to take care of it.

My dad once told me, if you can get someone to like you, they will buy from you. He took selling very personally. If you bought from him, he would do anything for you. And if you didn't buy from him, he would call to find out why. I remember cringing when he'd do that, but now, when I think back on that, I couldn't be more impressed and proud of him.

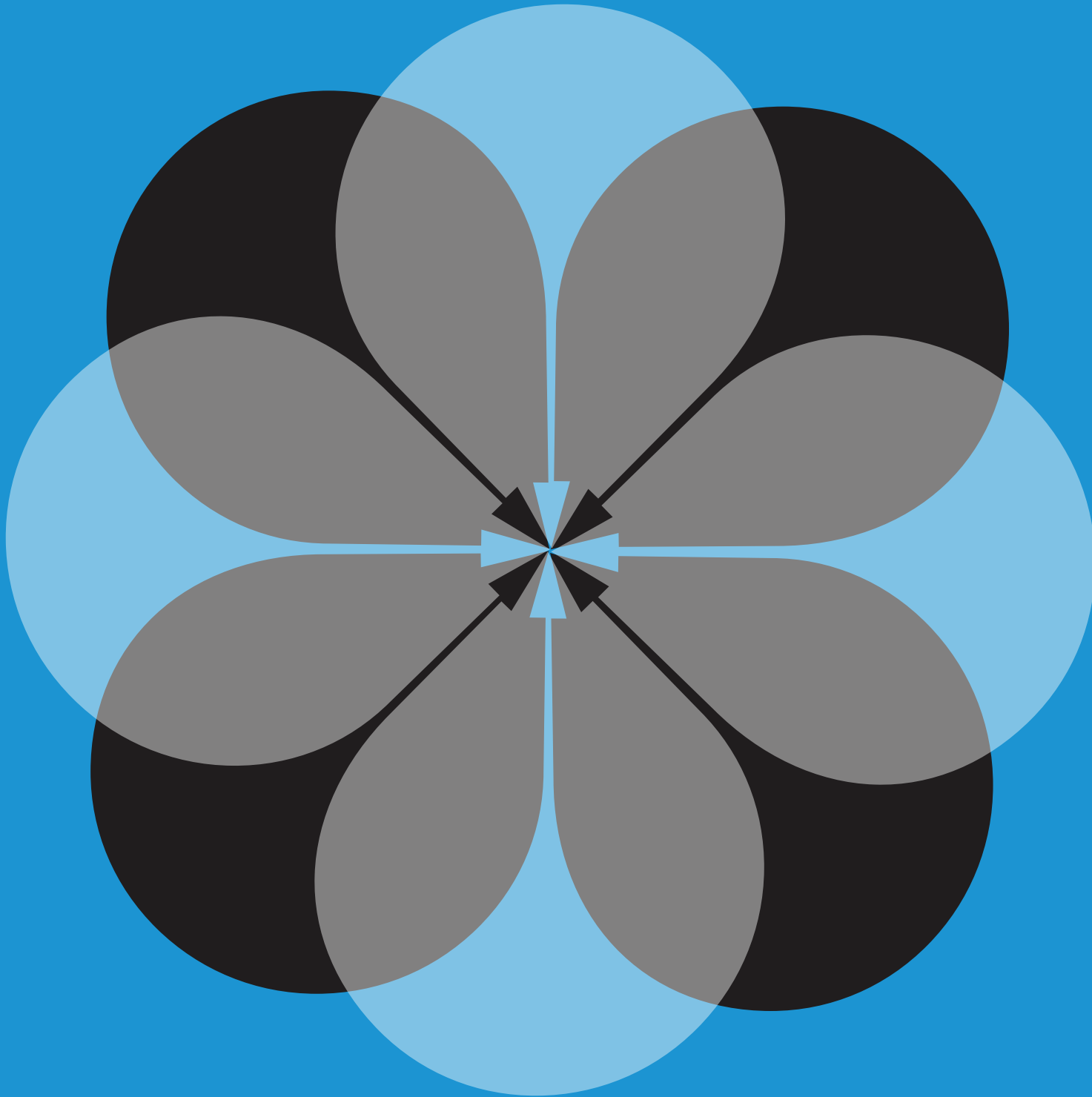
My father's business grew and prospered and, after 10 years, they sold to their employees through an ESOP. To this day, the business is still successful and the lessons learned about targeting clients, going anywhere to earn their business and the importance of personalized customer service stand true.

It is hard to find people who want to work with you, especially in financial services. But, by targeting customers and asking for their business, and then taking each client and each sale on a personal basis, you can get people to want to do business with you. My dad managed to do business with all five of those targeted companies in and around Plattsburgh. He set his goal high, but, through hard work, he reached it. I wish you good luck in reaching your own business goals this year. ●

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Branch Managers: THE BACKBONE OF OUR FIRM

by Frank A. Tauches, Jr.

WHEN I LEFT the New York Stock Exchange and joined Merrill Lynch as regulatory counsel in 1976, I quickly became impressed with the caliber, knowledge and professionalism of all the branch managers I encountered. They had all been successful account executives and each one made a conscious choice to give up their book of business to enter a very selective and competitive management training program. Home office training was extensive, and each trainee was assigned an assistant manager in a large branch office so they could be mentored by an experienced branch manager. It was only after two years in this capacity that an individual could stand a chance to get their own branch office. More frequently, the management trainee was assigned as an assistant manager of a home office department to round out the total experience before being assigned as a branch manager of a small or medium-sized office.



What's key to their continued success, and the ultimate success of our firm, is that each utilizes the technological tools we provide them with to supervise and mentor, and each avails him/herself of the human resources in our home office to support their efforts.

Many managers were eventually assigned to large offices in the cities in which they grew up and started their careers. The manager of the Southfield, Mich., branch had played on the University of Michigan football team that won the Rose Bowl in 1951. The manager of the Norfolk, Va., office had grown up in the area and joined the local Merrill Lynch office when he finished his tour of duty as a naval aviator. The manager of the Stamford, Conn., office had been hired as an operations clerk in that office and eventually became the operations manager before becoming a registered representative. He eventually became the chief executive officer of Merrill Lynch.

I quickly realized that it was these men and women who were the backbone of Merrill Lynch. It was they who truly brought "Wall Street to Main Street" by returning to their hometowns armed with the training needed to run their respective offices. After three years as regulatory counsel I, too, entered branch management and in 1982 was assigned as branch manager in Jericho, N.Y. Fortunately, my assignment coincided with the start of one of the longest bull markets in history. Unfortunately, Merrill Lynch changed its management program and they commenced what I called their "musical manager" program, where every manager wanted a larger office somewhere else in the country. I left Merrill Lynch in 1986 to go independent and never regretted that decision, but I did miss the camaraderie and being a part of what, at the time, was the best securities firm in the world.

When I joined the Board of Directors of American Portfolios in 2003, I quickly realized that our firm had many of the great characteristics of Merrill Lynch, 30 years earlier. We had a solid visionary in our founder and CEO, who still maintained a book of business. We had a dedicated and competent home office staff with solid, experienced leaders. But what impressed me the most were the supervising principals and branch office managers who lead the registered representatives and financial advisors in their efforts. In addition to being solid members of their community and leaders in our profession, each is an entrepreneur in their own right and truly the backbone of our firm.

The last year and a half has been a particularly trying time for our branch managers and supervising principals, and I don't see it getting easier on the regulatory and legislative fronts. What's key to their continued success, and the ultimate success of our firm, is that each utilizes the technological tools we provide them with to supervise and mentor, and each avails him/herself of the human resources in our home office to support their efforts. We provide the forum for dialogue through our OSJ conference calls and regional conferences. Most of all, we encourage open communication with our home office staff to quickly resolve any immediate issues that may arise. What is most important is that our registered representatives and financial advisors keep their supervising principals abreast of the issues that need attention.

At Merrill Lynch I always urged our account executives to "get themselves a partner" when a problem arose. That partner was their branch manager, who was experienced in resolving problems and knew when to ask for help from the home office. At APFS, bringing an issue with a client to your manager's attention is the best way to ensure that a problem will be quickly and economically resolved. The worst thing is to ignore something and think it will either go away or the market will "correct" the problem.

As always, it is critically important to ensure that dialogue goes two ways and that the professional needs of our supervising principals are being addressed. In addition to our open communication, OSJ conference calls and conferences, there is also the AP Advisory Board, which is composed of managers and registered representatives. As always feel free to call at 800.889.3914, ext. 206, or e-mail me at ftauches@americanportfolios.com.

I want to take the time to thank those managers who make American Portfolios what it is today. ●

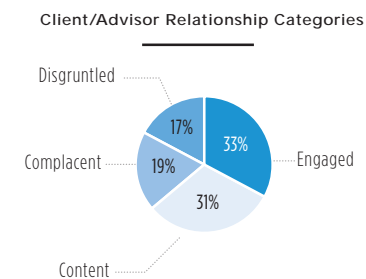
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To Engage or not to Engage

by Joseph Borriello

IN THE FOURTH-QUARTER of 2009, I had the pleasure of hearing Julie Littlechild, president of Advisor Impact, speak about her consumer research findings within the realm of financial planning and client advisor relationships. Advisor Impact specializes in client feedback and, in the past five years, has researched more than 50,000 individuals. Needless to say, her knowledge and expertise is top notch. Of particular interest are her reported distinctions regarding client segments.



Littlechild's research on the client/advisor relationship categorized clients into one of four groups: engaged, content, complacent or disgruntled. Of these groups, Littlechild's research showed that 33 percent of respondents are engaged in their relationship with their advisor, while 31 percent are content, 19 percent are complacent and 17 percent are disgruntled.

Engaged clients require that you know what is important to them.

While most client surveys measure satisfaction, it is evident that distinguishing satisfaction is particularly relevant to this study. As it would appear, at least 64 percent of the general population is satisfied with their advisor. However, looking specifically at the engaged and content groups can be telling; while the percentage difference between the two groups is very close, Littlefield cites huge differences amongst these clients.

What Littlefield's research actually reveals is that while content clients may be satisfied clients, more importantly, they are passive, not taking an active role in their relationships with their advisors. Specifically, they do not talk about their advisor relationship or pass along referrals. Engaged clients, however, perceive the relationship with their advisor as deeply meaningful. In fact, the research shows that these clients provide 100 percent of an advisor's referrals. Yes, that's right—100 percent!

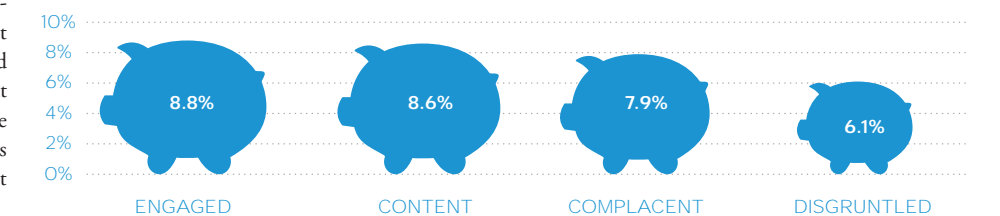
Littlefield also found that while complacent clients sat on the fence about their relationship with their advisor, disgruntled ones did not. Like engaged clients, disgruntled clients liked to share their feelings with others. However, the distinction here is that disgruntled clients "purged" their feelings, as Littlefield put it. I liken this to running a negative PR campaign. And rest assured, if disgruntled clients are purging to complacent clients, the complacent clients will quickly fall into the disgruntled class.

So, what does this mean for your practice?

If you find there is a huge variance between your top two client categories—the negative PR campaigners and the folks sitting on the fence—you could be left with a false sense of satisfaction. "Beware of averages," says Littlefield. That is, if your average client appears satisfied, this doesn't necessarily mean you have an engaged client. Keep in mind that if you have a client advisory board, it is probably comprised of your "A" client list, or people that really like working with you—aka engaged clients! The drawback, however, is they don't necessarily give you the most accurate feedback or reflect on the feelings of the clients in the other groups for which Littlefield has classified.

Let's take this a step further and see what happens when you isolate and then examine the difference between the engaged and the content client.

CLIENT WALLET SHARE



Littlefield's data quantified client wallet share; that is, what percentage of a client's money an advisor has. Of the engaged clients, on average, advisors have 8.8 percent. A content client will give 8.6 percent of their wallet, while complacent and disgruntled clients give 7.9 percent and 6.1 percent, respectively.

These numbers indicate that it is important to look not just at the client/advisor relationship but also at what the advisor is offering.

Engaged clients require that you know what is important to them. They require well-defined service standards and often a connection at the personal level. To that end, I pose these questions: Do you know what your client's genuine concerns are? More than stereotypical classifications based on age group or income bracket, specifically, how connected are you to your clients? Do you have clients that are really engaged with you, or just happy with your services? Can you distinguish between a disgruntled client and a complacent one? And, furthermore, what are you doing to address these clients? These may sound like challenging questions, but answering them should bring light to your practice and help classify where you stand amongst your clients.

Most importantly, assessing and answering these kinds of questions will help you grow your business by converting all clients into engaged ones who will create referral opportunities, and give you direction on where your business is going. Take a proactive approach that will help you in your continued success. ●

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Open Letter to Clients

By Patricia Powell

Affiliated colleague Patricia Powell is a Certified Financial Planner with over two decades of experience. A past contributor of *FREE's* Economic and Market Commentary, in this edition, Patricia offers an open letter written for clients of her RIA for the starting quarter of 2010.

ONE OF MY favorite politicians was the late great Senator from New York, Daniel Patrick Moynihan. He said that everyone is entitled to his own opinion; but, we are not entitled to our own facts. It is impossible to discuss the economy and investments without an eye on Washington. I will try to follow Senator Moynihan's lead and stay on the facts. Please forgive any clumsiness in that regard; it is unintended.

Much, but not all, of the damage sustained by the financial markets has been repaired. On Dec. 31, 2009 the Dow Jones Industrial Average closed at 10,428.05, well over the Dec. 31, 2008 close of 8,776.39, and the March 9, 2009 bottom of 6,547.05. But still, the DJIA is not anywhere near its Oct. 9, 2007 high of 14,164.53.

Markets and economic recoveries do not necessarily move in tandem. Both are affected by Monetary Policy, which is managed by the Federal Reserve, fiscal policy (tax and spending policies) given to us by state and federal politicians, trade policy (a complex combination of international economic and political interests that result in trade treaties such as NAFTA) and commodity prices. For most of the 1980s and 1990s, our economy and our financial markets were sailing with the wind at our backs. Declining inflation and interest rates, generally lower tax rates, lower trade barriers and lower commodity prices contributed to a robust economy and personal prosperity for many Americans. Looking forward, there seems to be little doubt that the Federal Reserve will have to tighten monetary policy that Washington politicians are determined to tax and spend, and that the populist fervor in the country is for increasing trade barriers. Will commodity prices continue to rise? I think so.

So what does this mean to you and the investments that we handle on your behalf?

- As we might expect interest rates to rise, you will find the value of your bonds and bond funds vulnerable to such increases. We have just begun to add funds investing in variable rate bonds/notes including TIPS. We expect to continue this through much of 2010.
- The Federal Reserve has been a major purchaser of mortgage-backed securities (MBSs) throughout 2009—over \$1 trillion. They have announced that they will no longer be doing so. It seems that such a withdrawal of support from the MBSs could easily lead to higher mortgage rates. We expect to reduce, but not eliminate, your exposure to such holdings. Currently, the plan is to replace some of them with funds investing in variable rate bonds/notes including TIPS.
- Even though bond prices generally move in the opposite direction of interest rates, we are adding long and intermediate term municipal bond funds into the portfolios. If income taxes are going to increase, it is logical to assume that the improvement in tax equivalent yields could mitigate much damage caused by increasing interest rates.
- The U.S. has the second-highest corporate tax rate in the OECD; only Japan has higher tax rates. When one also considers state corporate tax rates, total corporate tax rates in 24 states are the highest in the developed world. That should make foreign investments very competitive and worth the extra risk of putting increasing amounts of foreign equity funds into portfolios. Small holdings in emerging markets may be part of the overall allocation.
- As the economic recovery is a worldwide, not just domestic event, we might expect commodity prices to increase. Anticipating this, we are adding different commodity funds and ETFs to the

portfolios. Most of the commodity funds that we have used thus far have been designed to follow specific indices. Generally, energy has been the most significant factor in such funds. We expect to broaden the selection of such investments to include other commodities, specifically agricultural commodities.

- And finally, gold. It is a bit of a wild card. Depending on risk tolerance and the size of your portfolio, we have put gold ETFs and gold funds into the portfolios. As I write this, the spot price of gold is \$1,136. It popped over \$1,200 just a few weeks ago; you might remember that it peaked at over \$850 in January 1980 and then languished for decades. Gold does not fit neatly into a typical investment allocation. I think the very recent run-up was the result of currency fears, which may have temporarily abated. Gold may be considered by some to be an inflation hedge. There is no clear formula for including or excluding gold from your portfolio. Therefore, gold ETFs and funds may be in and out of your portfolios during the coming year.

I will not be looking back fondly over the last 18 months. Economic scholars will be studying this period for decades to come, sorting through the information and deciding what lessons can be learned. I will leave it to them to do so.

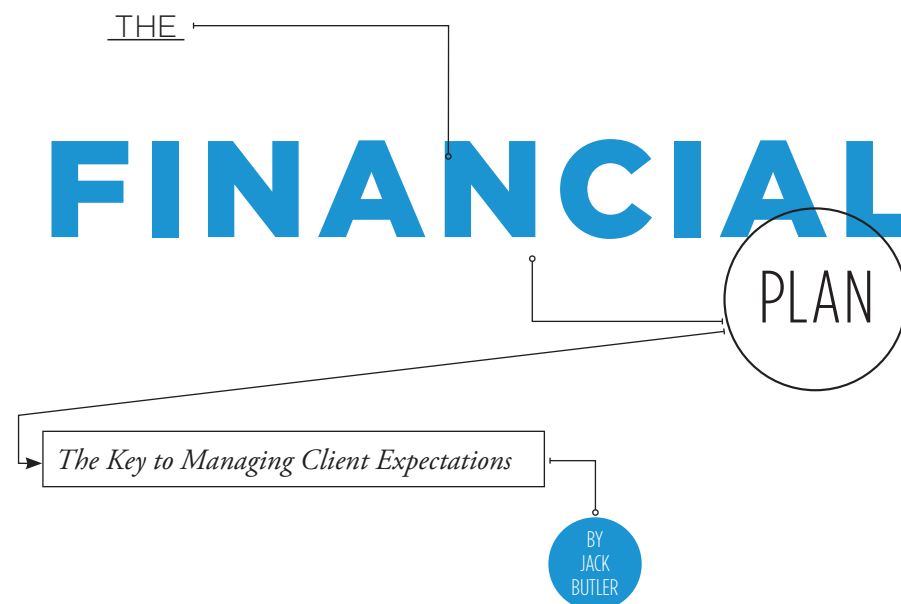
We all here at the Powell Financial Group Inc., wish you and yours a happy, healthy and prosperous New Year.

Yours truly,

Patricia Powell, CFP®

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



TO SAY THAT the past year was a challenging one would certainly be an understatement. October 2008 through March 2009 represented the worst five-month period for U.S. equity markets in recent history. It was a frightening time for investors and financial professionals alike.

Personally, I was in a state of professional paralysis in the midst of the drop. I found myself reading Nick Murray newsletters to find encouraging talking points to share with clients. But deep down, I, too, was full of uncertainty and skepticism.

I like to think that creating a financial plan for a client is like mapping a route on MapQuest before a long trip. Before leaving, you have to know where you are going; you have to establish a reasonable plan of travel. A map provides a predetermined destination, as well as a predefined route. While there may be construction, traffic and accidents along the way, the basic direction remains the same. The map is there to be referenced to see where you're at and how soon you can estimate your time of arrival.

When clients ask questions about interest rate movements, unemployment, market returns, and such, I find they are not really interested in those things at all. **They are masks for deeper questions, like, can they retire on time or will they be able to send their children to college?**

It raised the question of how an advisor who doesn't have confidence in the market, or one clue as to where the economy is going, can effectively manage client expectations.

In my practice, I've found that a financial plan serves as an invaluable tool for managing client expectations. The creation of a financial plan early on establishes a predetermined goal that can be referenced throughout the relationship. It becomes the measure by which the relationship can be evaluated.

This is true of a financial plan, as well. There are many assumptions used when creating a financial plan, and those assumptions are subject to change. The plan must be periodically updated to reflect the reality of financial markets.

When financial markets are in turmoil, the emotions of fear and uncertainty rule the day. What is the impact of a client portfolio taking a 30-percent hit? The truth is, absent a financial plan, it is nearly impossible to tell. The financial plan you create with your clients will provide a sense of perspective during this time. It allows the advisor to measure the impact in a quantitative fashion and communicate that clearly to the client. Having the ability to tell a

client that they are still on target or that they may need to put off retiring one more year, keeps the conversation personal and the advisor from having to speculate on interest rates and market trends.

During the market downturn last fall, I met several times with a married couple who were clients of mine. Each time, I ran an analysis to measure the current impact of market conditions on their overall plan. In this case the clients were retired, without the ability to contribute additional savings to the plan. The portfolio had more than enough assets to meet their needs in October, but by March 2009, the plan was at risk of becoming underfunded. My clients and I made the decision to go to cash with a majority of the assets to preserve the viability of the plan. Now, in hindsight, we sold near the bottom and missed a near 60-percent rally in the following months. One could argue that the decision to exit the market was misguided. If the client goal was performance-based, that would be right. However, because the decision was made within the context of their personal financial goals, and was based on their needs and not their emotions, the clients were comfortable and satisfied with that decision. And to that end, they remain satisfied clients to this day.

When clients ask questions about interest rate movements, unemployment, market returns and such, I find they are not really interested in those things at all. They are masks for deeper questions, like, can they retire on time or will they be able to send their children to college? Establishing a financial plan for you and your clients serves as a touchstone to fall back on in times of uncertainty. It provides the answers to these questions and others that arise during the course of your professional relationship. ●

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person who would hand-write the paperwork into the signature guarantee log book. Once I got the go-ahead to find a principal to sign off on it, my wait really began, because there was either a line to see the principal or they weren't even available. Often, things would sit on my desk because I could not get someone to sign off on them. To make things more frustrating, our offices were on the third floor and the main office was on the fifth floor. I would be away from my desk for a ridiculous amount of time trying to get things processed.

FREE: So, since transitioning to American Portfolios, your day has changed?

CH: Yes, it has changed. Work here is totally streamlined with the STARS system. Anything that has been submitted via the BPM is easily followed up on and reviewed. I can do all my follow-ups without leaving my desk! There is more responsibility here because the work is in our hands, but it's more satisfying and efficient.

and the guest speakers are informative. As for other technologies, the office uses the STARS system and the Pershing site daily. I also reference the APFS Web site regularly for information and various "how-to's."

FREE: How has the office been handling the current economic environment?

CH: What a stressful year! It was tough for everyone, but Doug retained all of his clients

FREE: Tell us about Doug. Why do you both work well together?

CH: Doug is very easy to work for. We both have the same approach to what needs to be done, and that is, just do it and do it right. We also both like to make lists and check them off!

FREE: What were you doing before working in finance?

CH: In the '80s I was a flight attendant, but decided to take some time off when I had children. I was out of the work force for 15 years and went back to work when my youngest daughter was 9. My job with Doug is great because it allows me to be a mom first.

FREE: What was it like being a flight attendant? Any parallels to being an administrative assistant?

CH: Yes, a commitment to customer service. You have to anticipate what someone's going to need so they don't have to ask for it.

FREE: It must have been a great opportunity for you to travel!

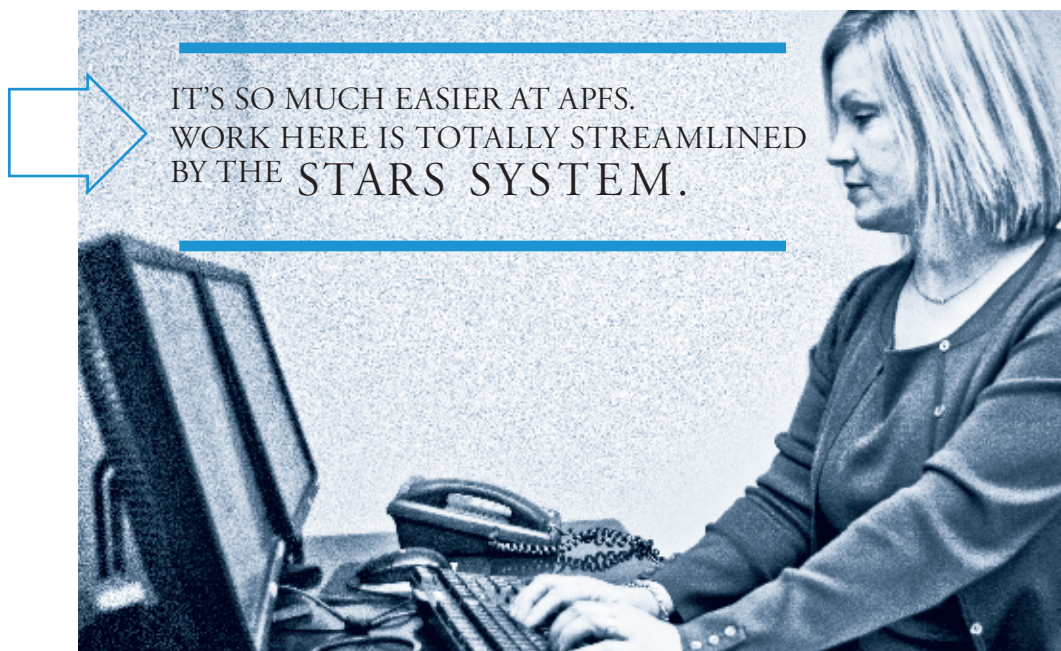
CH: I have been everywhere in the United States, except Alaska, and have seen a fair amount of Europe, as well. But honestly, I hate to fly now; too many delays and the airports are a pain.

FREE: What is the best piece of advice anyone has ever given you?

CH: Don't be afraid to say you don't know something. It helped me tremendously when we transitioned over to American Portfolios. I was always calling and saying, "Sorry to bother you, but please tell me the best way to get this done!"

FREE: What does your future look like, Cindy?

CH: My husband and I have four children; two are in college and two are in high school. So much of our time is spent on wondering about their future, that I really haven't figured mine out yet! We take it one day at a time. ●



FREE: How did you first get involved in Doug's practice, and in what capacity?

Cindy Hurley: I first met Doug while working for one of his colleagues at our previous firm. I was in two days a week, but when Doug's assistant, who also happened to be his wife, went out on maternity leave, I picked up an extra two days with him. Eventually, I ended up working solely for Doug full-time, five days a week.

FREE: What kind of work were you helping him with?

CH: Our former firm was a bit behind on technology. Paperwork was processed in a very time-consuming manner. Many of the things I would handle for Doug needed signature guarantees, so a great part of my day was spent tracking down the one

FREE: Tell us about your transition. With just you and Doug, was it difficult?

CH: We left an environment with lots of people and lots of hoops to jump through. Now, processing the work is up to us. Remarkably, it was a smooth transition. We had a lot of help from the home office. They helped connect all the dots and made sure we received support if needed. In the end, Doug transitioned about 1,000 accounts. In retrospect, it went very well.

FREE: What technologies does your office make use of now that you are at APFS?

CH: I watch *The American Perspective* [APFS' biweekly news program] as soon as it comes out. I like it because it gives you a sense that you are connected to the home office. The updates are helpful

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HAMMERING DOWN

with **GEORGE ELKIN**

FOR AFFILIATED COLLEAGUE GEORGE ELKIN, BEING INVOLVED WITH AMERICAN PORTFOLIOS, EVEN BEFORE IT BECAME THE BROKER/DEALER, HAS BEEN THE EXPERIENCE OF A LIFETIME.

Written and photographed by Rebecca Dolber



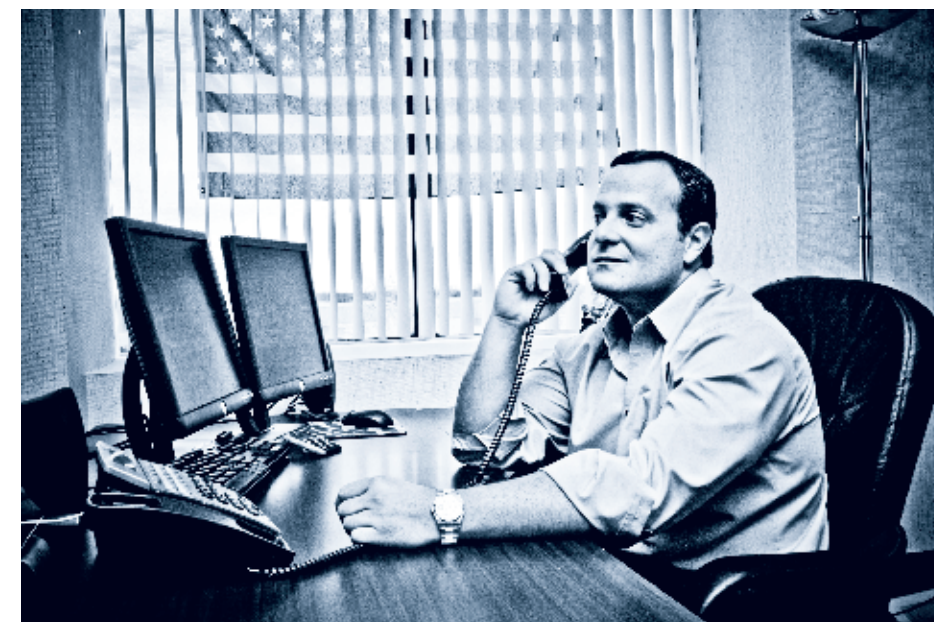
BEFORE AMERICAN PORTFOLIOS Financial Services was APFS, it was an OSJ of Nathan & Lewis Securities. But even before Nathan & Lewis, it was a registered branch of MFI Investments, a small, independent broker/dealer in Bryan, Ohio. Its supervising principal, Lon Dolber, was operating a small but growing office out of 80 Orville Drive in Bohemia, N.Y., where his four registered representatives shared a close work space, lit dimly by antiquated fluorescents.

It was early 1993 and George Elkin had just finished his MBA at Hofstra University, all the while working full-time at American Express, then known as IDS. While the company's claim to fame was starting the whole idea of financial planning, IDS was still restrictive in what their reps could and could not offer to clients.

"They were not 100 percent proprietary like a wire house," Elkin recalls. "But they had their own funds and software you had to use, as well as pay for. Financially, they were treating you as if you were independent, but from a product standpoint, they treated you as if you were an employee. I wanted support from the firm, but also wanted to do the planning on my own and not be told which direction I needed to go in."

A fellow classmate and friend, Merik Dolber, kept hassling Elkin to check out his brother's little firm. He just completed an intensive training program at IDS, but was open to the idea of change. Curious as to what the new opportunity could hold, Elkin let his friend introduce him to his brother. "I went over to 80 Orville and thought, this is not a firm, this is just an office! IDS was huge and had been around for 100 years, so the idea of moving to Lon and MFI was a big change."





APFS HAS SOMETHING SPECIAL.

THE CULTURE IS SOMETHING THAT ATTRACTS PEOPLE. PERHAPS IT'S THE INDEPENDENT NATURE OF THE B/D COMBINED WITH THE FACT THAT THEY DON'T LEAVE YOU OUT ON A LIMB.

At IDS, Elkin was faxing client questionnaires to an outside office where he'd be sent back a whole financial plan with supposed allocations and needs. "At first, it was nice, but it soon became very restrictive."

Knowing he would have more control in the planning recommendations with Dolber, Elkin moved his book to MFI Investments that fall.

"At that point there were four brokers in what would be American Portfolios: Lon Dolber, Gary Grappone, Ron Bergmann and Rick Jautze. I was number five." Slowly but surely, Dolber continued to recruit, getting quality reps to put stock in his idea for what their little OSJ could become. "You immediately bought into Lon's whole vision about starting on the ground floor," Elkin admits. "At that point we were

just a small OSJ at MFI, but quickly, we grew to be the largest."

Over the next three years, Dolber recruited more than 100 representatives. In 1996, after joining forces with OSJ Manager Russell Clark in Parsippany, N.J., and armed with their now powerfully-producing OSJ, Dolber and Clark moved the group of close to 200 registered representatives to Nathan & Lewis Securities with the plan to soon become the broker/dealer.

It was at this time Elkin really began to expand his personal book of business. Teaming up with his APFS colleagues, the reps would set up booths and split the leads resulting from the financial service fairs they exhibited at. It was also around this time that Elkin started working with the Benevolent

Associations for some of the volunteer fire departments on Long Island which, to date, is still a very large part of his business. In 1997, he developed his own consulting group, called Benevolent Consulting Group, to market to the surrounding volunteer organizations. He also joined Kiwanis Club, which introduced him to various business contacts, one of which was fellow APFS registered representative Bob Gaudio. At the time, Bob was Vice President of an EAB bank located a few blocks from the current APFS home office. Bob was near the end of his 30-year banking career when Elkin recruited him to come onboard with Dolber and Nathan & Lewis. "We used to call him the president of Vet's Highway," Elkin remembers with a laugh. "Bob knows everybody." The two hit it off and formed a partnership. "Bob was the marketing arm, and I did all the planning. That five-year period was a very nice growth spurt for us."

While Nathan & Lewis provided the systems and technology for the OSJ that MFI didn't, it was always Dolber's vision to break free and ultimately become his own broker/dealer. And 2001 marked that time. Elkin recalls it as both exciting and scary.

"I was very comfortable at Nathan & Lewis. They were very good to me. But, he's a good salesperson, that Lon Dolber. I knew it was the next logical step; to really create a firm where we had input as to the direction it would go in."

As it turned out, that vision proved to be an insightful one, for in that same year, Nathan & Lewis was acquired by New England Financial, a subsidiary B/D of Metlife Insurance. "Being owned by a large insurance company would have changed everything for us," Elkin admits. "Being independent is the best thing for the client, no question."

Since its inception as a fully functional broker/dealer, American Portfolios has grown from 187 reps to nearly 700 in 346 branch offices across the nation. The company has maintained a 10-to-1 customer-to-employee ratio, growing from eight employees in 2001 to 74 in 2009. Their service divisions have been expanded to include an Advisory Services arm, and the broker/dealer, as a whole, supports \$11 billion in client assets handled by its associated financial professionals.

When asked about the growth of the company since 2001, Elkin is amazed, but not shocked. "APFS has something special. The culture is something that attracts people. Perhaps it's the independent nature of the B/D combined with the fact that they don't leave you out on a limb." Elkin notes that the support from APFS comes in two main forms; the technology and the capital units program.

"For me, STARS is the key when it comes to technology at APFS."

BEING **INDEPENDENT**
IS THE BEST THING FOR THE CLIENT,

NO

QUESTION.

“You don’t want to recruit guys you wouldn’t want as a partner. The capital units program helps bring a better quality person on board. I know the brokers I’ve recruited love the fact they have ownership. It’s a nice selling point as a manager.”

Currently, Elkin services 500 clients and manages 14 registered representatives. Admittedly, his days are pretty diverse, with time spent juggling his own clients and the reps he’s managing.

“Within the next 10 years, I’d like to continue to build my business, manage and recruit. Perhaps after that, I’ll bring in someone to mentor, to meet clients and help me transition away. While I love the business, I don’t see myself doing this till I’m 65.”

With all his outside pastimes, it’s not hard to understand why.

An avid boater since age 14, Elkin spends many vacations off the coast of Montauk and Block Island. And when not on the water, he’s road-bound on his Honda Goldwing motorcycle. “I’ve developed a nice group of people to ride with. You know, people misunderstand the biking community. We have a tough-guy, tattered-up image. The truth is, I ride with a few of my clients; a chiropractor, a dentist, just regular, clean-cut, hardworking people.”

Last spring, he took a 110-mile bike tour through Pennsylvania and upper New York State. Equipped with heated seats, internal helmet speakers and an innate drive toward the open highway, riding allows Elkin to put some distance between him and what has been a stressful time in financial services.

“I have a pretty good ability to keep the noise out,” Elkin admits. “But, perhaps the best piece of advice anyone’s ever given me was from Lon. He told me when something upsets you, just go outside, spit three times and move on. It’s a crazy saying, I know, but you can’t internalize everything. You have to get over things, stay focused and continue down the path.”

And so far, it’s worked well for them both. ●

STARS is an acronym for Supervision Transaction Accounting Reporting System, and is the core business processing system for the firm. STARS ties all incoming broker/dealer client information, new account registrations and their associated transactions together for the purpose of distributing the supervisory review and reporting responsibility across the entire organization, as required by industry regulations. It was designed with the rep’s and manager’s daily workflow in mind.

Being one of the pioneers, Elkin had input on many aspects of what the STARS system is today. “Lon would take a group of us and say, ‘Okay guys, here’s what we’re thinking about doing. How do you think this looks?’ He would set us up as test subjects for the firm. It was nice because we had input and good ideas about what we’d like to see.”

As for the capital units program, Elkin’s sentiments are summed up in one word: Huge.

“It’s a rare opportunity that you can be in business for yourself, while at the same time get a piece of ownership and have a stake in the whole firm. In our program, 30 percent of the stock of this company eventually gets funded into the capital units program. What that statement says is that 30 percent of the firm is owned by our brokers and managers. It makes everybody push the cart down the same path.”

Especially as it pertains to recruiting. As a long-time manager with American Portfolios, Elkin is keen on bringing in reps that are a good match for the company.

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MATT OWENS
by Rebecca Dolber



MATT OWENS
is the creator of the New York–based design firm Volumeone and a founding member of the multi-disciplinary design collective Athletics. He is also one of APFS Registered Representative Greg Blank’s oldest friends and clients. In our newest column, Client Profiles, learn how Matt Owens manages to run two businesses and how he and Greg bridge the divide between the creative and financial worlds.

FREE: Where were you in your life when you decided to start your own business?

Matt Owens: I had been working as a creative director at a few different design firms and decided I wanted to go into business for myself. I was still pretty young, but had touched all aspects of business. I’d been a project manager, worked in business development and served as creative director and, at the age of 28, felt I gathered all the tools to do it on my own. I had clients who wanted me to work with them, and that was sort of how it materialized. Before I started an actual company, I started freelancing to learn the ropes. While it helped to be in the work force and work for a larger studio, I wanted to try it on a freelance basis to help gather momentum.

FREE: Who did you solicit to help you get started?

MO: Surrounding yourself with the right people within any company is important. Ultimately, when you start working in a professional environment, you gravitate toward like minds. I had a roster of people who had a similar passion and idea of what work means. I’m a good judge of character and that was the way I found the right people.

FREE: What are the challenges of breaking out on your own?

MO: I feel like one of the main challenges is trusting your instinct. A lot of times running your own business can be challenging, sometimes terrifying, and it’s tough to put yourself in situations where you have to figure it out along the way. For me, it helped to realize that what you’re doing now is not what you’ll do forever. The challenge, however, is keeping your wits about you in order to get through. When it’s done, then you can make an assessment as to whether it was right for you and, from there, figure out what you could have done better. Evaluating performance is important.

FREE: How do you keep up-to-date with the technological changes in your creative field?

MO: Over the past 12 years, there’s been a major creative and technological evolution. It’s a challenge keeping up with it. You have to keep your radar on and encircle yourself with people who have more knowledge than you. One person can’t know everything. You have to be curious, not intimidated, and always ask questions.

FREE: How do you balance your time as a manager and a creative person?

MO: The way to balance is to treat everything like a job. Whether it’s jogging or doing logo development, all things have to be given equal weight. When I was younger, working was everything and if I wasn’t in front of a computer, I felt I wasn’t being productive. But productivity is not about multitasking. You cannot do three things at once; but, you can microtask. You can set aside incremental pieces of time to be deeply focused on what you are doing.

FREE: What kind of a manager are you?

MO: At Athletics, we function more as colleagues instead of employers and employees. I think this elevates importance and expertise. Instead of having a junior/senior hierarchy, it’s more peer-to-peer. That’s how we’ve functioned since we first started. It’s made us unique, more efficient and has allowed us equal ownership over the vision. It’s not my way or your way. The reason it works here is because there’s a level of trust with the people we’re working with.

We’ve been together for a long time. We have each others’ backs.

FREE: How do you incentivize, inspire and motivate your crew?

MO: The people we work with are basically self-motivated. If you want to have your own schedule and be self-employed, you have to be self-motivated. I don’t want a culture where people are down in the dumps and I have to be a cheerleader. It’s beyond that now. We certainly have some painful processes, but it’s more about soldiering through it together. It’s a benefit to the larger studio. There’s mutual respect and mutual support. We have that investment in the people around us and it creates a positive vibe.



FREE: What’s the hardest aspect of running a business?

MO: For me, it’s being patient and realizing that doing good work and having a balanced life is more important than working just to work. As you grow older, you worry about mortgages, money, all that stuff and, for me, the hardest part is to realize it’s just work and, as long as you keep your wits about you and balance your life, you will be fine. You slip into challenges—do you live to work or work to live? You have to realize that you’re not living to work. Everything needs to be kept in check.

FREE: What advice would you give to someone who wants to start their own business?

MO: The only reason I was able to run my own business is because I was integral to someone else’s business first. I was in the work force and learned things. I think the best thing any young person can do before starting a business is learn how business

works; ask the questions, understand all the moving parts. You have to see how something can transpire in the real world and that’s not something you can learn in school.

FREE: You’ve worked with some well-known clients. What differences, if any, are there when dealing with big name brands versus smaller, less commercial clients?

MO: Scale isn’t important to me. Within any company, big or small, it’s about people—about what they are doing and what they see in your work.

FREE: How did you meet [APFS Affiliated Colleague] Greg Blank?

MO: I had just started getting the pieces together for the business and needed someone who could understand us. We didn’t want some giant firm, so my accountant recommended Greg. Our businesses couldn’t be more different, but we had the same independent spirit. He was about my age and had just started doing financial planning. He told us how he wanted to run his business, and we had a complementary perspective. It was cool.

FREE: What makes your professional relationship work?

MO: When you are young and learning a business, you aren’t thinking about 401(k)s and things. You know it’s important, but Greg helps me understand how all these things impact the present and the future. When you are self-employed you need to put different people in place around your business to make it function. Greg is part of my professional family and, as a consequence, I can ask him questions and look to him for advice. He always has an opinion and puts that opinion in the context of where he’s going and how that impacts what I am doing. It’s all interrelated. He puts a human perspective onto everything.

FREE: What is the best advice anyone has given you?

MO: Catherine McCoy, my graduate professor at Cranbrook Academy of Art, told me that your own personal story is what makes you and your work unique. The fact that I run and manage businesses are great experiences, but more importantly, it’s the risk-taking that impacts my larger story and makes my perspective unique. It’s not just about the work, it’s also about your unique perspective and the larger life lessons you bring to your business. ●

WISCONSIN

Q
&A

AARON SWANSON

INTERVIEW BY
REBECCA DOLBER



Far from the chaos of Wall Street, Aaron Swanson enjoys his professionalism in the great outdoors of Ashland, Wis. When he's not running his OSJ, he's pedaling his bike up and down the rough terrain of some of the best biking areas in North America. At 36 years old, read why this dog is happy to learn some new tricks.

WISCONSIN

FREE: How did you get started in the business?

AS: I was 19 and a friend talked me out of playing a softball game to go listen to a financial seminar. After two hours, I had learned more than in my previous two years in college. I was so excited when I left—really lit up. That was where my interests in the business generated.

FREE: So what did you do after the seminar?

AS: I registered with my first B/D. It was 1993 and I was still in college; probably the only guy that had a fax and copy machine in his dorm room. Within a short period of time I also acquired my supervisory license and actively recruited reps to work with me. I was at that B/D for eight years, until 2001, when I made the move to United Securities Alliance. At USA I got licensed with my series 7 and was able to offer more products and services.

FREE: Why did you decide to start managing?

AS: Growing up, both my mom and dad worked hard, took great care of us, loved us a lot, but financially things weren't easy. After that initial seminar I knew the difference you could make in a person's life by properly managing money. I wanted to help people—a lot of people—but I couldn't do it on my own. I went through a number of partners before getting the core group of four producing reps, two non-registered sales assistants and two administrative personnel [my mother and my wife], who are with me today. As a result, there are close to 1,000 families that, as a group, we've helped, versus the 200 or 300 I could help on my own.

I knew the difference you could make in a person's life *by properly managing their money.*

FREE: How do you find the time to be a manager and active producer?

AS: I've found the balance comes in having the right size office and the right help. I am selective about who I take on. I like the personal interaction that comes with being involved with our team. We're a group of unique individuals, yet we share similar ideas and expertise. There's usually motivation to do more than what one might do individually when in a group. You know, I have absolutely great partners and I want to see them reach whatever it is they deem successful. I've met a lot of other independent producing reps who wish they had a group of people they could knock ideas off of. I have that, because that's what you create when you have an OSJ. However, I love producing and helping families, too. I couldn't give up one or the other.

FREE: Do you have an investment and/or management philosophy?

AS: I don't have a compulsion to write business. I spend time with my clients. I want them to get their questions out. This is a partnership, not a doctor's model where they are out the door in 15 minutes with a prescription. It's about getting to know goals and finding out if we're a match. Mutual respect translates into good compliance! As far as investment management style, I'm a buy and 'hold your hand' kind of guy. There's an old saying that sums it up: 'Money is like a bar of soap; the more it's handled the less there is of it.'



FREE: What's your business mix?

AS: My clients are everyday, middle-class Americans—laborers to doctors. It's a good mix of assets and people. With that said, we have plates of all sizes. With my personal client base essentially filled up, I'll typically request a minimum of \$50,000 for new clients, but their future potential and personality play into the decision as well. As much as I hope I can help someone, I find I often grow and learn from the people I meet and the clients I get to work with. That's the bonus of creating a referral-oriented, selective client base. Typically, I use unit investment trusts, mutual funds, variable products, annuities and alternative investments. I also handle a couple of 401(k)s, but more small business retirement plans. I'm not much for stock trading. I've looked at fee-based, and I think I'll move to it at some point, but that arena hasn't been adopted here like in other areas of the country. There aren't a lot of advisors here in general—maybe six to eight total in Ashland.

FREE: What is it like in Ashland, Wis.?

AS: It's as far north as you can get in Wisconsin, without taking a step into Lake Superior. It's life as I've known it. The cost of living here is great compared to other areas of the country. We live on 40 acres of land, on the outskirts of the city limits, yet it takes me only five minutes to get to the office. Being in a business where we're compensated pretty well affords me a lifestyle that is undeniably enjoyable. I don't have to fuss a lot to make ends meet.

Money is like a bar of soap; *the more it's handled, the less there is of it.*

FREE: Do you spend a lot of time outside?

AS: About the time Kate [my wife] and I got together, I got into cycling. Northern Wisconsin contains some of the best mountain bike areas in the country. Before I got too old, I wanted to realize the potential of what my physical capacities could be. How good could I become? The gentleman behind the world's most recognized cyclist, Lance Armstrong, is his coach Chris Carmichael. Chris worked in developing a systematic training program that could be brought to athletes throughout the country via a network of personal coaches. That's the program I started with and, to this day, I continue to work with a coach. We talk weekly and custom-tailor workouts for whatever part of the season I'm in. I'm coming off a year right now having enjoyed some very successful results. It's one of those life endeavors I'm happy I went for and I've been fortunate to continue to get better. So, all in all, I'm very lucky—a wonderful wife, three beautiful kids, an enjoyable standard of living and time to enjoy it. What more can you ask for? Life is about balance. As I share with my clients, try to live each day as if it's your last and plan as though you'd live forever. The second part of that is, as far as I know, when you came in the world, the good Lord never stamped an expiration date on your behind.

FREE: So, Aaron, how do you feel about former Green Bay Packer, Brett Favre, playing for the Minnesota Vikings?

AS: I've NEVER been a Packers fan, but I have to say I'm really happy for the guy! It's nice to see an older athlete that can still perform. It's a nice story regardless of what any Packer fan might feel.

FREE: What does the future hold for you, personally and professionally?

AS: I'll tell you when I have enough time to figure it out! I'm 36 years old with three kids. Right now, I'm enjoying being a dad. I like helping them grow and empowering them to do what they want. I've had a very supportive spouse and I'd like to return the favor and help her reach her aspirations and goals. I'd like to foster an environment for my partners and reps so they can grow and develop to their desired potential. Truly, I love this part of my life and, as for the future, we'll see where the present takes me. ●

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SOCIAL RESPONSIBILITY

A CHARITABLE YEAR IN REVIEW



WHILE 2009 WILL be remembered as a conservative year financially, the American Portfolios community of employees and colleagues made their most charitable efforts to date. With a host of events taking place from season to season and coast to coast, it is hard to deny that goodwill is contagious and our commitment to being a socially responsible company is prevailing. Take a look at some of our efforts in this truly extraordinary year.

WHAT	WHERE	WHO
<p>The National Kidney Foundation A major voluntary health organization dedicated to preventing kidney disease, improving the health and well-being of individuals and families affected by kidney disease and increasing the availability of all organs for transplantation</p>	Kidney Walks on Long Island to raise money and awareness for kidney disease	Sha-Shawn Montgomery, Mary Ann Rosolino, Lisa DiBella, Kristen Lee, Frank Tauches, Rob Dolber, Melissa Grappone, Nicole Graziano
<p>Breast Cancer Help A not-for-profit organization dedicated to eradicating breast cancer and promoting education and awareness of breast cancer issues on Long Island and throughout New York</p>	Booth volunteers at Sayville Fair to raise awareness and funds to fight breast cancer	APFS Employee Activities Committee Members Sha-Shawn Montgomery, MaryAnn Rosolino, Kim Oetting, Kristin Lee, Lisa DiBella
<p>Island Harvest The largest hunger relief program on Long Island</p>	A Thanksgiving Food Drive to help the less fortunate	The entire staff at American Portfolios, coordinated by APFS Employee Activities Committee Member Kristen Lee
<p>The Town of Brookhaven Interface Program An organization that offers programs for teens in numerous categories</p>	A prom dress collection and delivery for girls in need	Mary Ann Rosolino and Nicole Graziano
<p>The Firefighter's Cancer Support Network Provides assistance to all fire service members and their families in the event of cancer diagnosis</p>	A Golf Outing where APFS was a hole sponsor	Kim Oetting
<p>AHRC An organization that provides programs and services for men, women and children with intellectual disabilities</p>	The AHRC Summer Dance, where American Portfolios made a sizeable donation to fund the event	Lisa DiBella, Sha-Shawn Montgomery, Gerry Gibbons

WHAT	WHERE	WHO
<p>Suffolk County SPCA Equine Rescue Collaborative An organization dedicated to equine rescue, rehabilitation and restoring the horsemanship heritage and humane collaborative treatment of the horse</p>	Summer Party for the Animals, an event held at Martha Clara Vineyards to raise funds to renovate the Southaven Stables, for small house and farm animals that have been rescued from unsuitable homes, as well as care for and rehabilitating neglected horses	Thomas J. LoManto
<p>Mather Hospital's Fortunato Breast Health Center Provides state-of-the-art breast health care in surroundings that offer a sense of comfort, privacy and the assurance that each patient's individual needs will be met</p>	Great South Bay Music Festival, an event that partnered the hospital with WBAB to present a bike run in support of funding the center	Lisa DiBella, Kim Oetting, Mary Ann Rosolino
<p>World Team Sports An organization dedicated to creating soul-stirring opportunities for individuals of all abilities through the power of sports</p>	The Face of America Bike Ride from Washington D.C. to Bethesda Medical Hospital and The Coastal Team Challenge, an 85-mile kayaking journey from Anacortes, Wash., to Vancouver, B.C.	David Rey, Robert Crothers, John Kosinski, Andrew Dorfman, Lon Dolber, Rich Antunovich, Jared McGill, Greg Kelly, Mike Boccio, Jon Michaels, Tom Wirtshafter, Carol Marks, Melissa Wade, Kaitlyn Crawford, Daniella Adinolfi, Tom Peterson, John Brzoza, Carl Newberger, Mike Salaway, Mario Mendoza, Jim Campbell, Bob Kennedy, Brandon Kennedy, Robert Vogel, Anthony Tripi, George Elkin, Marc Johnson
<p>The Gwen L. Kosinski Foundation A non-profit organization dedicated to raising money for brain tumor research</p>	The 6th Annual Minds Over Matter 5K Run in Sag Harbor	John Kosinski, Melissa Wade
<p>Toys for Tots</p>	A toy drive at the APFS home office in Holbrook, N.Y.	APFS colleagues and employees, coordinated by Tom Finnegan
<p>American Heart Association An organization that helps to build healthier lives, free of cardiovascular diseases and stroke</p>	Going Red at the APFS home office to show support and raise funds and awareness for heart disease	APFS colleagues and employees
<p>Lee Denim Day Is a single-day fundraiser created by Lee Jeans to support the Women's cancer programs of the Entertainment Industry Foundation</p>	An event at the home office where, with a donation, employees could wear jeans to work	APFS employees
<p>Bubel Akin Foundation and The National Inclusion Project Committed to giving all people the rightful opportunity to participate</p>	The Golfing for Inclusion charity golf event in Palm Beach Gardens, Fla.	Rich Gerepka and Victoria Brialmont, with attendance to the event by Frank A. Tauches Jr.
<p>The Multiple Sclerosis Society</p>	A 150-mile charity bike ride on the East End of Long Island	Susan Quigley

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TOOLS OF THE TRADE

PACIFIC LIFE FUNDS:
PORTFOLIO OPTIMIZATION FUNDS
 Diversification Made Simple

<p>WHO: Pacific Life Funds</p> <p>WHAT: Portfolio Optimization Funds are five asset allocation fund-of-funds that let you diversify your clients' portfolio in one single step. They provide diversification among up to:</p> <ul style="list-style-type: none"> • 13 money managers • 13 asset class styles • 17 underlying mutual funds that hold between 800 and 1,100 distinct securities. <p>WHERE: There are three easy ways to access Pacific Life Funds:</p> <ul style="list-style-type: none"> • DST Vision • PNC Advisor Central • www.PacificLife.com <p>WHY: Five Reasons for Using Portfolio Optimization Funds</p> <ol style="list-style-type: none"> 1. Five target-risk funds: Five fund-of-funds that range from conservative to aggressive. Easy-Score Questionnaire helps clients choose the fund that best matches their risk tolerance and investment goals. 2. One-step diversification: Simplicity for you and your clients. Each fund-of-funds combines a wide range of asset class styles into a single fund to make diversification effective, yet simple. 3. Non-proprietary platform: The only broker-sold asset allocation fund of funds. Portfolio Optimization Funds are built using all-external money managers, each carefully selected for its area of investment style expertise. 4. Automatic rebalancing: Updated annually, monthly and daily to allocation targets. The funds are constantly monitored and regularly adjusted to keep each one within its risk-reward target. 5. Strategic oversight: Collaborative teams that ensure the funds' investment integrity, optimal portfolio design and commitment to maintaining investor's needs first. 	<p>WHEN: Portfolio Optimization Funds are currently available.</p> <p>COST: Fund expenses for A shares range from 1.22% to 1.42%, not including front-end sales charges. Class, B, C and R shares are also available. Other charges and expenses are available in the prospectus, which can be obtained by calling (800) 722-2333, Option 2 or online at www.PacificLife.com.</p> <p>USING PORTFOLIO OPTIMIZATION FUNDS Using Portfolio Optimization Funds can help your clients personalize their risk versus reward strategies. It gives even small investors the chance to utilize talented managers they may not usually access. That small or orphan account may turn into a large, monster account.</p> <p>Consider those small or orphan accounts that . . .</p> <ul style="list-style-type: none"> • Hold only a few mutual fund positions. • May be lacking effective asset allocation and rebalancing strategies. • Have owners who have not been contacted recently or at all, which may expose you to compliance concerns. • Use an excessive amount of time to manage relative to the amount of assets. <p>Getting started</p> <ul style="list-style-type: none"> • Review your book of business and uncover smaller accounts. • Use a worksheet (client name, current investments, account size, investment goals and plan of action) to track your calls. • Call one client each day. • Review the accounts with your clients. • Complete the online or print version of the Portfolio Optimization Fund Easy-Score Questionnaire. • Ask clients to consider utilizing a Portfolio Optimization Fund. <p>FOR MORE INFORMATION, CONTACT: Pacific Life Funds: (800) 722-2333, Option 2, or visit www.PacificLife.com. ●</p>
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Be Alert to Impact of falling Interest Rates on Estate Planning and Premium Funding Opportunities

FALLING INTEREST RATES can have a significant impact on various estate planning strategies, and can significantly impact the costs and benefits of implementing certain planning techniques. Some planning opportunities, which are favorable and affected by the current low interest rate environment, can also offer a tax-efficient way of funding a life insurance policy. This may be of particular interest to individuals and business owners who may be gift tax “challenged”—short on available annual exclusions or lifetime exemption for premium funding.

A Grantor Retained Annuity Trust (GRAT) is one strategy that is favorably affected by the current low internal revenue code 7520 interest rate. A GRAT can accomplish a deferred gift of appreciating property to intended beneficiaries, while leveraging the grantor's lifetime exemption, reducing gift taxes, preserving the grantor's income for the trust term and freezing future appreciation out of the grantor's taxable estate. A GRAT can be a tax-efficient tool for estate planning, as well as business succession planning. It can enable a business owner to make a deferred gift of closely held stock to intended family members in a tax efficient manner, while preserving his or her income for the trust term. A GRAT is also a grantor trust for income tax purposes and is consequently a qualified “S” stock shareholder. Many small businesses operate as S Corporations, and S stock can be transferred to a GRAT without forfeiting the S election.

As with many popular estate and business succession planning techniques, life insurance plays an integral and valuable role. A permanent life insurance policy can be recommended as an “estate equalization” or “equity of inheritance” bequest for family members who may not occupy active roles in the business, and are excluded as GRAT remainder beneficiaries. Life

insurance can also provide a survivor legacy for a spouse or other dependents who may not have an active role in the business, and may not be deriving independent income or compensation from the business. A term life insurance policy can be recommended to provide additional liquidity if the grantor does not survive the GRAT term, and the property is included in grantor's taxable estate.

The GRAT strategy itself can even provide a tax efficient means of premium funding on the proposed life insurance policy. The grantor retains income from the GRAT for the duration of the trust term, which can be applied to premiums on a policy owned by third party such as an Irrevocable Life Insurance Trust (ILIT). ILIT premium gifts can be sheltered from gift tax utilizing the grantor's annual gift tax exclusion or remaining lifetime exemption. A “loan regime” split dollar arrangement between the business and the ILIT can leverage the annual exclusion and lifetime exemption and further minimize gift tax exposure on premium gifts. Loan regime split dollar is a strategy that is favorably impacted by the current low-interest-rate climate. The grantor's ILIT can also be a remainder beneficiary of one or more GRATs, providing the ILIT trustee with income-producing property (e.g., stock) and resources to “roll out” the split dollar plan, and/or pay future premiums on the ILIT-owned policy—without additional gift tax consequences.

For more information on these and other estate planning and premium funding strategies, contact Penn Mutual's Advanced Sales Department at 800.818.8184, or visit the Advanced Sales section of Producer's Place at www.PennMutual.com for additional contact info. ●

A9JC-1118-03

MetLife®

How to Find Clients

WHO ARE LOOKING FOR THEIR

NEXT

CAREER

MANY AMERICANS WANT
A **CAREER THAT MATTERS.**

ACCORDING TO A RECENT METLIFE STUDY, 8.4 MILLION AMERICANS ARE CURRENTLY IN A “NEXT CAREER” THAT COMBINES INCOME, PERSONAL MEANING AND SOCIAL IMPACT. AN ADDITIONAL 44.7% ARE INTERESTED IN PURSUING ONE.¹

OTHERS MAY NEED A NEW CAREER

THE 2009 METLIFE Study of the American Dream showed that 52 percent of Baby Boomers are concerned about losing their jobs in the next year.

These trends may present an opportunity for you to help current and prospective clients. Every time your clients change jobs or think about taking on a new career, you may have an opportunity.

- If they have been laid off or downsized, you can help them manage their retirement assets by rolling them into an IRA.
- If they decide they want to begin a new and different career, you can help them develop a financial strategy to help make it happen.
- If they need to supplement their new income, you can help them turn a portion of their retirement assets into a stream of lifetime income.

FINDING “NEXT CAREER” CLIENTS

THE TRADITIONAL WAY of prospecting for new clients is to host a seminar or workshop. However, these days, you may want to engage them differently. Here are some ideas for reaching those who may be considering a new career or are in the midst of changing jobs:

Scan the local news

If companies in the area are planning layoffs, you may be able to help the employees who have been or are going to be downsized and their employers by offering financial strategy workshops.

Bring people together

Lots of people these days are turning to “encore careers”—jobs that give you an income but also make a difference in the community or the world. If you know people in these types of jobs, you can host a “get-together” evening in which you can introduce those who want “encore careers” to those who already have them.

Become a resource

Have a list of books, Web sites and other materials handy that may help those who are seeking new careers.

Join a book club or other activity-based organization. Find out what organizations are available in your city or town and join in. You might be surprised how many people you meet who will need your services.

Get involved in the community

Your clients may love to volunteer and give back to their communities—in the health or education fields, for example. Find ways that you can get involved as well. Whether you prefer business organization, local charities, or something else, showing that you care about the community is a step in the right direction.

Find out where the business people congregate

It may be a coffee shop before work or a local restaurant or gym after work, but there is always a place where the crowd congregates. Discover that place and you may find some potential clients. You can also attend networking meetings for industry groups or outplacement organizations—or offer to speak at or host a seminar.

Check out the library

Many libraries have resources and workshops available for people who are searching for a new career or have just been laid off. Offer to speak at a workshop, subject to approval at your firm, or post your business card on the bulletin board.

RESOURCES AVAILABLE TO HELP YOU GAIN CLIENTS

MetLife Investors offers a number of materials approved for client distribution to help you turn prospects into clients. These materials include:

- A client sales idea that asks pertinent questions about what the individual wants from a job and how they plan to get it
- A client-approved seminar and customized invitations for those of you who like a more traditional approach

FOR MORE INFORMATION...

Please contact the MetLife Investors sales desk at 800.848.3854 today to get started in prospecting for clients who want or need a next career. ●

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¹ MetLife Foundation/Civic Ventures Encore Career Survey, June 2008

STATE OF THE FIRM



All About Balance

by Lon T. Dolber, CEO

I PRESENT YOU with the fourth-quarter 2009 performance results for American Portfolios. 2009 fourth-quarter revenues and fees of \$18,149,047 increased by 16 percent from fourth-quarter gross revenues and fees received in 2008 of \$15,603,234. I am very pleased to report that fourth-quarter revenues in 2009 are the first increase we have seen since the third quarter of 2008, which had a 4 percent increase in revenues from its respective quarter a year prior. Also, assets under management have increased 7 percent from the last reported quarter (\$9.8 billion in Q3 2009 to \$10.5 billion in Q4 2009). All of this can be attributed to incoming assets from new rep affiliates, but is also due to a stabilizing market environment.

As we have entered into our ninth year operating as an independent financial services firm, this is a good time to reflect on what we have achieved, and also what lies ahead for American Portfolios Financial Services. In just eight years, we have emerged from a small broker/dealer into one of the most premier, independent broker/dealers in the country. Statistically, the numbers are impressive:

- A three-fold increase in the number of financial service representatives, from 224 to 678
- A nine-fold increase in the number of employees, from eight to 74
- An 11-fold increase in quarterly revenues, from \$1.6 million to over \$17 million
- An eight-fold increase in client assets, from \$1.2 billion to almost \$10 billion
- An 11-fold increase in corporate complex physical space from 3,500 square feet to 40,000 square feet

Our projection for 2010 puts annual revenues at approximately \$125 million. With net operating margins of less than 3 percent, it is imperative that we continue to carefully manage our overhead. The continued success of American Portfolios lies in our ability to keep balance. Maintaining high representative payouts and low fees and expenses, while keeping a high level of support and service, is the challenge we face as an independent broker/dealer. This challenge is all the more difficult when you consider American Portfolios does not manufacture product, does not rely on revenue sharing and is not supported by a large corporate parent.

Our core values as a firm continue to be independence, profitability and ownership. Independence is our top, and most important, value, but it is clear we will not be in a position to maintain our independence if we cannot operate profitably. Having an underlying interest in the enterprise is important, but what value does that ownership have if our core business cannot generate a profit?

There continues to be a trend toward the consolidation of independent broker/dealers. This is being driven by revenue losses from the recession, an inability to keep up with heightened regulatory requirements due to industry fraud, a loss of investor confidence and higher costs associated with maintaining proper staffing and technology. Firms that did not make the necessary investments to their core infrastructure over the last five years do not have the economic means now to take advantage of the current trend of financial professionals moving into the independent space. Without the added revenue from recruiting, these firms have no choice but to decrease staff, increase fees, lower payouts or merge with stronger and more viable entities.

Firms that focus primarily on top-line growth, with no regard for maintaining margins, will face challenges in sustaining the level of service that

financial professionals require. Some firms we compete with are giving away the shop by offering new colleagues significant upfront money and extremely high payouts in order to maintain their growth. Many of these firms are either owned by manufacturers of product or are looking to grow revenues solely to attract an acquirer. Inevitably, this approach will result in the consolidation of their operations and the reduction of services by their acquirer in an effort to increase margins. In some cases, the acquirer is an insurance company whereby they can maintain high margins through the sale of their proprietary products.

I maintain what I have said all along. American Portfolios can increase margins and operate profitably while maintaining a high level of service, as long as we stick to our core competency. The firm will continue to attract high-end financial service professionals—using extreme care in our selection process, pursuing additional sources of revenue through service agreements and judiciously watching our expenses.

The goals for our future remain unchanged. We will secure the firm's independence by providing a high level of support and service to our financial service professionals, all the while growing responsibly and profitably. Like the carefully poised scales in the hands of justice, our success as a firm also lies in our ability to maintain a strong, sustainable balance. ●

Lon T. Dolber
CEO
Holbrook, N.Y.
800.889.3914, ext. 106
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2009 4Q QUARTERLY REVIEW

2009 Quarterly Review

09/10/2001 - 12/31/2009

The fourth-quarter 2009 review for American Portfolios is shown on pages 33 through 38. This review has also been posted to American Portfolios' Broker Web site in Rep Services.

Corporate Overview:

American Portfolios has 72 full-time employees supporting 647 registered representatives, which includes 56 registered assistants and 25 registered employees as of Dec. 31, 2009.

Financial Overview:

Fourth-quarter gross commissions and fees of \$18.1 million were higher than the fourth-quarter of 2008—a 16 percent increase of \$2.5 million from \$15.6 million. Gross revenues for the firm have increased over 11 times since the fourth-quarter of 2001 (\$1.6 million in 4Q 2001 to \$18.1 million in 4Q 2009). In an across-the-board analysis of products and services offered through American Portfolios, mutual funds, managed accounts and variable annuities, had the highest increases of 84 percent, 25 percent and 21 percent respectively from the fourth-quarter in 2008 (Table 1). Assets under management increased significantly by 41 percent from \$7.5 billion in the fourth-quarter of 2008 to \$10.5 billion in the fourth-quarter of 2009. (Table 2).

Fig. 1

Gross Commission & Fee Revenue (by quarter)

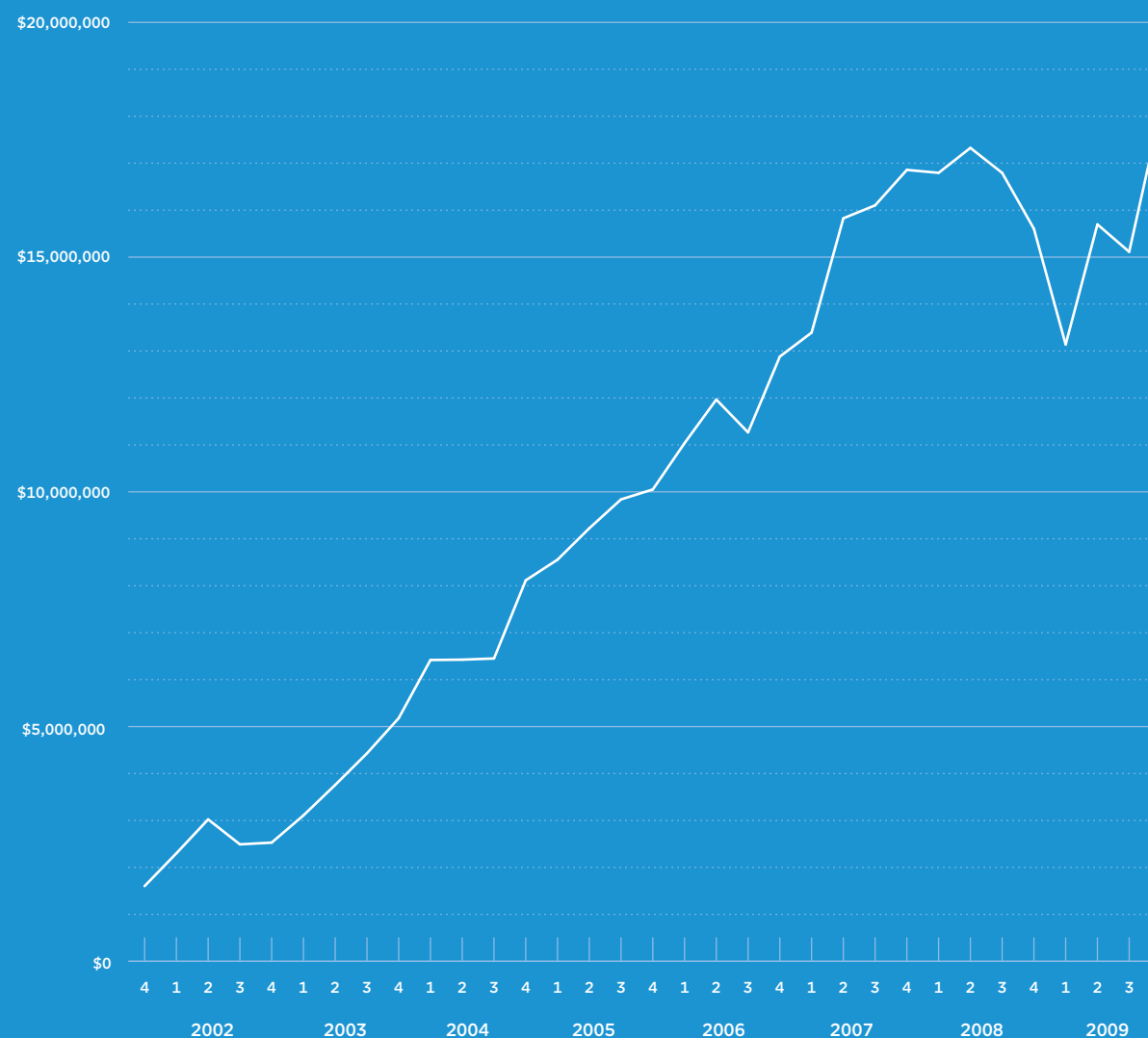


Table 1

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
2009 3Q	\$1,832,403	\$2,993,591	\$4,326,214	\$158,080	\$649,832	\$2,971,559	\$1,352,518	\$165,193
2009 4Q	\$2,215,760	\$3,421,110	\$5,837,766	\$189,435	\$491,237	\$3,537,793	\$1,527,808	\$128,542
Change from 4Q 2009	+84 %	+12 %	+21 %	-61 %	-45%	+25 %	+8 %	-43 %

Top 5

Top Five Fund Families by Commissions for the Fourth-Quarter of 2009

1. \$ 1,415,494	American Funds
2. \$ 1,151,750	OppenheimerFunds
3. \$ 624,405	Franklin Templeton Funds
4. \$ 297,031	Fidelity Funds
5. \$ 206,487	Eaton Vance Funds

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

1. \$ 1,163,342	Prudential
2. \$ 1,116,315	Jackson National
3. \$ 662,357	Nationwide
4. \$ 398,612	John Hancock
5. \$ 298,764	Pacific Life

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

1. \$ 1,298,243,223	American Funds
2. \$ 977,461,099	OppenheimerFunds
3. \$ 585,556,624	Franklin Templeton Funds
4. \$ 387,252,013	Nationwide VA
5. \$ 299,494,830	Prudential 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	
2009 3Q	\$4,664,682,071	\$5,134,053,195	\$9,798,735,266	
2009 4Q	\$5,131,640,776	\$5,357,951,011	\$10,489,591,787	7%
+/- over 2008 4Q	+41 %	+41 %	+41 %	

Representative Overview

09/10/2001 – 12/31/2009

Between Sept. 10, 2001 and Dec. 31, 2009, 840 new representatives have joined the firm, while 420 representatives have been encouraged to leave. During the same period, assets under management have increased by \$9.3 billion (Q4 2001 1,232,657,974 – Q4 2009 \$10,489,591,787).

Table 3

Fourth-Quarter 2009 New Colleagues

First Name	Last Name	City	State	Supervising Principal	Start Date	Status
James	McPartlan	Harrison	NY	Jason Mieras	10/5/2009	Principal
Thomas	Ward	Indianapolis	IN	Kevin Olvaney	10/5/2009	Account Executive
Donna	Miranda	Clifton Park	NY	Michael Brown	10/20/2009	Assistant
Glenn	Farinacci	Delray Beach	FL	Kenneth Daly	10/20/2009	Account Executive
Ryan	Weier	Fraser	CO	Michael Diemer	10/21/2009	Assistant
Roger	Hannan	Libertyville	IL	Donald Carlson	10/21/2009	Account Executive
Rebecca	Hannan	Libertyville	IL	Donald Carlson	10/21/2009	Account Executive
Marc	Schauber	New York	NY	Leonard Dangelo	10/21/2009	Account Executive
Pamela	Washington	Newport News	VA	William Smith	10/21/2009	Account Executive
James	Marra	Rochester	NY	Douglas Conoway	10/21/2009	Account Executive
Keith	Robertson	Southampton	NY	Daniel Finnegan	10/23/2009	Account Executive
Leslie	Wierson	Hazen	ND	Kris Tower	10/26/2009	Account Executive
Dennis	Hellwig	Clifton Park	NY	Michael Brown	10/27/2009	Account Executive
Ngo	Nguyen	Glendale	CA	Allan Wasserman	10/28/2009	Principal
Allan	Wasserman	Glendale	CA	Stan Alterman	10/28/2009	Principal
Andrew	Roskos	Glendale	CA	Allan Wasserman	10/28/2009	Account Executive
Price	Gledhill	Glendale	CA	Allan Wasserman	10/28/2009	Account Executive
Michael	Gattuso	Glendale	CA	Allan Wasserman	10/28/2009	Account Executive
Jeremy	Pope	Glendale	CA	Allan Wasserman	10/29/2009	Principal
Frank	Malpigli	Islip Terrace	NY	Jane Desmond	11/5/2009	Account Executive
Dirk	Roskam	Kentwood	MI	Donald Carlson	11/9/2009	Account Executive
Salvatore	Cocivera	Marlton	NJ	William Brown	11/9/2009	Account Executive
Ewa	Empie	Clifton Park	NY	Michael Brown	11/11/2009	Assistant
Robert	Gaudio	Holbrook	NY	George Elkin	11/13/2009	Account Executive
Christopher	Krolak	Fairport	NY	Jeremy Monte	11/16/2009	Account Executive
Laura	Carlson	Kentwood	MI	Donald Carlson	11/17/2009	Account Executive
Alice	Dahms	Marlton	NJ	William Brown	11/17/2009	Assistant
David	McMillin	Allen Park	MI	Donald Carlson	11/18/2009	Principal
Mark	Hopper	Allen Park	MI	David McMillin	11/18/2009	Account Executive
John	Parise	Marlton	NJ	William Brown	11/18/2009	Account Executive
William	Brown	Bloomfield Hills	MI	Mauro Daddato	11/19/2009	Principal
Larry	Stringer	Hendersonville	NC	Elizabeth Munday	11/19/2009	Principal

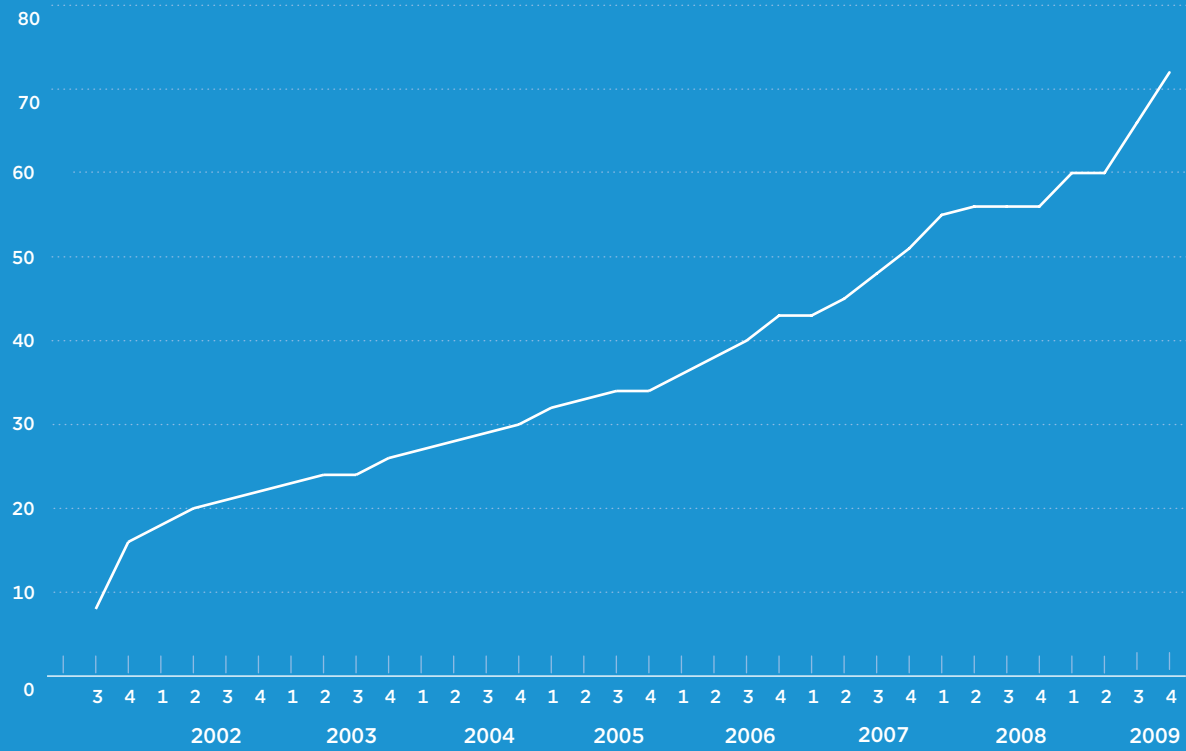
First Name	Last Name	City	State	Supervising Principal	Start Date	Status
Kathy	Stringer	Hendersonville	NC	Elizabeth Munday	11/19/2009	Assistant
Patrick	Mason	Bloomfield Hills	MI	William Brown	11/24/2009	Account Executive
Gary	Lannen	Bloomfield Hills	MI	William Brown	11/24/2009	Account Executive
James	Mason	Bloomfield Hills	MI	William Brown	11/24/2009	Assistant
Thomas	Demergian	Verona	WI	Donald Carlson	11/30/2009	Account Executive
Camille	Cosco	Elmsford	NY	David Gasparik	12/2/2009	Account Executive
Stephen	Parkison	Rochester	NY	Jeremy Monte	12/2/2009	Account Executive
Stephen	Stokes	Rochester	NY	Jeremy Monte	12/2/2009	Account Executive
Paul	Visca	Rochester	NY	Jeremy Monte	12/2/2009	Account Executive
David	Berry	Bloomfield Hills	MI	William Brown	12/3/2009	Account Executive
Craig	Dukes	Bloomfield Hills	MI	William Brown	12/4/2009	Assistant
Jimmy	Kuhn	Smithtown	NY	James Verdi	12/9/2009	Account Executive
Mark	Huntley	Ludlow	VT	Mauro Daddato	12/11/2009	Principal
Leonard	Pickering	Elkhart	IN	Donald Carlson	12/14/2009	Account Executive
Kirk	Brown	Whitehall	PA	Ronald Chakler	12/23/2009	Account Executive

Recruiting and Marketing Overview

The firm continues to attract new colleagues. Networking opportunities and calls from prospective candidates are a regular occurrence for the new business development area. As of Dec. 31, 2009 the broker/dealer had 647 registered representatives—which included 56 registered assistants and 25 registered employees—working from 91 Offices of Supervisory Jurisdiction, as well as 344 Branch Office locations. A total of 47 new associates have joined the firm while 36 affiliated representatives were encouraged to leave in the fourth-quarter of 2009. As of Dec. 31, 2009 there were 566 producing registered representatives at the firm.

Fig. 2

Employee Growth (by quarter)



FOCUS AND BUSINESS PARTNERS

American Portfolios would like to extend a special thanks to its focus and business partners for their service and support throughout the year.

