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

FREE

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In a new column that provides solutions to solving investment and financial planning needs for the Baby Boomer Market, colleague Tim Rossiter explains why consideration for the institution of marriage should trump life partner arrangements for the next go-around.

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Affiliated colleague Jeff Baker's early years gave him a unique perspective on investing and building toward a goal.

CLIENT PROFILE p26
Surgical Sales Representative Colleen Quinn comes clean about how APFS colleague Mary-Jo Morello is hitting her expectations of a financial planner.

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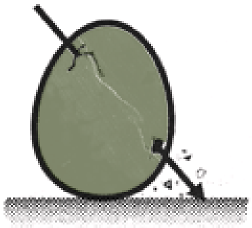

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From the
Editor-in-Chief

As spring provides the seasonal bridge between frigid and scorching weather, during this time of year I am always recharged by the prospect of uninterrupted perfect weather–not too cold or wet, yet not too hot or dry. As we close the first quarter of 2010 on a strong note, feeling encouraged by our performance numbers (pg. 37–42) and an upward movement in the economy and the stock market, I pause and think of the quote made famous by British political leader Harold Wilson, "I am an optimist, but I'm an optimist who carries a raincoat."

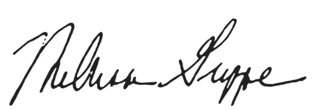
And so it is with this issue of *FREE* that we offer commentary on the virtues of being prepared, protected and ready. Columns from COO Dean Bruno (pg. 7), President Tom Wirtshafter (pg. 9), General Counsel Frank A. Tauches Jr. (pg. 10) and Advisory Trainer Phil Cordero (pg. 11) discuss implementation and planning initiatives for the b/d and for you in your practices. CEO Lon T. Dolber, succinctly and directly, lays down his views on corporate governance and what it means for our future.

Contributing content from APFS colleagues Tim Rossiter (Boomer Beat, a new column on financial issues revolving around the post-World War II generation—pg. 12), Stephen Davis (View from the Field on the changing landscape of the 401(k) market—pg.13) and Steve Molyneaux (The Economic and Market Commentary—pg. 14-15) adds insights into a practical and pragmatic look at the institution of marriage, a much-needed revamp of the pension retirement system and a slow and arduous economic recovery, respectively.

In this issue of *FREE* we have some amazing profiles on colleagues Jeff Baker of Greenfield, Mass. (pg.20-25), Alan Grodin of Roslyn Heights, N.Y. (pg. 28-29), Senior Trader Marc Johnson (pg. 16-19) and end-client Colleen Quinn to Ohio-based affiliated colleague Mary-Jo Morello (pg. 26-27) on the readiness in one's professional and personal life. These are individuals who know what they need to do, how to make it happen and how to roll with the tide.

Our content is tapped off with investment planning and practice management particulars from some of our focus and business partners. In the Tools of the Trade (pg. 32 -33), a first glance at ARC-Insight, an analytical tool for alternative investments that has been integrated into AP's Web services, offers some valuable initial instruction on its functions, AXA gets you thinking about beneficiary considerations for IRAs (pg. 34-35) and Genworth demonstrates how you can build value to your advisory practice (pg. 30-31).

As we enter summer, enjoy the balmy weather—just be sure to wear a hat!



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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)*

June 21 FP **Lunch Meeting**
Sponsored by Allianz
Lorraine Lods, Noon

June 23 – 25 **Morningstar**
Investment Conference
Hyatt Regency
McCormick Place
Chicago, Ill.
www.morningstaradvisor.com/products/mstr_conference.asp

July 5 **Market Closed**
for Independence Day

July 7 FP **Lunch Meeting**
Sponsored by
Franklin/Templeton
Bill Sheluck, Noon

July 12 FP **Lunch Meeting**
Sponsored by AXA
Adam Shefsky, Noon

July 19 FP **Lunch Meeting**
Sponsored by
Jackson National
Steve Burke, Noon

July 26 FP **Lunch Meeting**
Sponsored by
Putnam Investments
David Casey, Noon

July 26 – 28 **Financial Advisor and Private Wealth**
First Annual Innovative Alternative Strategies Conference
Westin Chicago River North Hotel
Chicago, Ill.
www.altinvconference.com

July 28 FP **Lunch Meeting**
Sponsored by Pacific Life
John Piotrowski, Noon

August 2 FP **Lunch Meeting**
Sponsored by
American Funds
Steve Calabria, Noon

August 4 **OSJ Manager/Principal Conference Call 4:15 p.m. EST**

August 9 FP **Lunch Meeting**
Sponsored by Prudential
Carrie Short, Noon

August 16 FP **Lunch Meeting**
Sponsored by MetLife
John Nahas, Noon

August 23 FP **Lunch Meeting**
Sponsored by
National Integrity
Keith Karravone, Noon

September 6 **Market Closed**
for Labor Day

September 8 FP **Lunch Meeting**
Sponsored by John Hancock
Joe Donadio, Noon

September 13 FP **Lunch Meeting**
Sponsored by
OppenheimerFunds
Wendy Ehrlich, Noon

September 20 FP **Lunch Meeting**
Sponsored by Nationwide
Susan O'Connor, Noon

September 22 FP **Lunch Meeting**
Sponsored by DWS Scudder
Anthony Camilleri, Noon

September 27 FP **Lunch Meeting**
Sponsored by Pacific Life
John Piotrowski, Noon

October 4 – 6 **American Portfolios**
Regional Meeting
Hilton Indianapolis
Indianapolis, Ind.

Contributors

STEPHEN K. DAVIS is an affiliated colleague in Huntington, N.Y. He began his career in the financial services industry in 1976 after leaving a successful commercial fishing business he founded in 1968. He is a noted speaker on the subjects of financial and estate planning, and has lectured on the application of Modern Portfolio Theory and asset allocation to associations and trade groups.

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

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STEPHEN MOLYNEAUX is an affiliated colleague in Atlanta, Ga. He is a regular contributor to *FREE*, having shared his thoughts in "Economic Commentary" and "View from the Field" in several previous issues.

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TIMOTHY ROSSITER is an affiliated colleague in Huntington, N.Y. He began his career in the banking industry in 1966 and earned the professional designation of Certified Financial Planner from Adelphi University in 1988. Tim, a regular contributor to *FREE*, currently conducts seminars on financial services, estate planning and elder care.

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ON-DEMAND VIDEOS LINE UP

STUDIO 454

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."

Advisors Circle
Three more episodes of the "Advisors Circle" were produced in the first and second quarters of 2010. Each monthly episode brings together AP's top advisors to tackle important issues relevant to all our representatives.

The "Advisors Circle" was created with the American Portfolios advisor in mind. The producers strive to keep the content relevant and interesting to our target audience. We invite all APFS representatives to check out this exclusive series and the information it has to offer. If you haven't viewed past segments, take a look below to see what you might be interested in...

- **Advisors Circle 01:** George Elkin, Ron Chakler and Barry Cohn discuss investment strategies in the fixed income market and the value of living benefits in variable annuities.
- **Advisors Circle 02 & 03:** Bill Donahue, John Kosinski and Ron Bergmann bring forth questions and share personal experiences on developing a fee-based advisory business.
- **Advisors Circle 04:** George Elkin, Mike Lytle and David Rey discuss OSJ management issues and enhancing the use of APFS technology.
- **Advisors Circle 05:** Ron Chakler, Greg Blank and Alan Wasserman discuss the economic downturn and the subsequent challenges facing our affiliated colleagues.
- **Advisors Circle 06 & 07:** The most current editions bring together affiliated colleagues Ben Lira, Anthony Trimarchi and Sebastian Triscari, who take an in-depth look at the value of participating in professional peer groups and how other AP affiliates can get started creating one.

Morningstar's Select Stock Baskets
Morningstar Equity Research Manager John Owens presents an overview of their Select Stock Basket program and the various tools they make available to advisors. This half-hour seminar was recorded at the Indianapolis regional meeting last fall.

Creating an Investor View in Albridge Tutorial
This two-minute video tutorial demonstrates how to create an "Investor View" in the Albridge Web services application.

Investing in Commercial Real Estate with American Realty Capital CEO Nicholas Schorsch
CEO Nicholas Schorsch provides an in-depth presentation on incorporating real estate assets into your client's portfolio and the opportunities that exist in today's commercial real estate market.

NEW EMPLOYEES

David Blum / *Operations Associate*
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Joined APFS in March 2010

David's responsibilities as an Operations Associate involve house-holding through Select Link and coding W-9's on accounts. In addition, he handles check deposits and processes incoming ACATs/mutual fund transfers and non-ACATs/DRS transfers.

Prior to joining American Portfolios, David worked as a bank teller with Astoria Federal Savings and Loan, where he was a bonded employee and gained invaluable cash handling and customer service skills. David graduated magna cum laude from Stony Brook University's College of Business in 2007, earning a Bachelor of Science degree in Operations Management and Economics. While attending school, David was active in athletics, participating on the university's rugby team. When not at work, David enjoys working on puzzles and mastering the solution of the Rubik's cube. He currently resides in West Islip, N.Y.

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Joined APFS in March 2010

As an Operations Associate, Scott reports directly to Operations Manager Phillip Bredow. His responsibilities involve processing incoming ACATs/mutual fund transfers and non-ACATs/DRS transfers.

Prior to joining American Portfolios in March 2010, Scott gained solid experience in the industry by holding such positions as financial services representative for E-Trade Financial, relationship manager for merger and acquisitions data for Reuters and corporate actions representative for TD Waterhouse.

Scott earned his liberal arts degree from Connecticut Fairfield University and furthered his industry knowledge by obtaining his series 7 and 63 licenses.

In his spare time, Scott spends time improving the home he recently purchased in West Babylon, N.Y. He is a big sports fan, but particularly enjoys spending his free time fishing.

EMPLOYEE OF THE QUARTER

Russell Kerstein

WHAT A DIFFERENCE a couple of months can make. That saying is commonly heard in a variety of contexts, but is never so true than when referring to Commissions Manager Russell Kerstein. As an integral part of the American Portfolios Financial Services community, Russ remembers the months immediately preceding his inception at the company, and the difference a little risk-taking can make.

"I was unemployed, and cleaning pools on Fire Island when I gave my resume to Melissa Grappone," he recalled. "When I first interviewed, it was with Rob [Dolber] in IT, because that was my background. But they needed someone to do commissions and, since I had banking experience, I started with the firm in that field."

Although Russ had more than 14 years of banking experience already under his belt, a transition into a new career field was challenging, especially with a new firm that had only come to fruition a month earlier. The challenge, however, proved to be one of his most rewarding.

"I absolutely have no regrets. I saw that Lon had a vision and knew what he was talking about; he had a plan and I wanted to be part of the organization and that plan. [APFS] is a good place to work, and with good people; they take care of their employees. Even in these times, they are still doing things for us, rather than cutting back."

Certainly American Portfolios can only thrive with the support of exemplary employees such as Russ. Russ manages and oversees all commission-related processes, which include commission cycles, maintaining payouts, establishing Web logins and managing all ACH/direct deposit requests for commissions, as well as so much more. Since he joined the broker/dealer, commissions under his management have increased from $1 million to well over $70 million. With the tremendous value of Russ's work, it is easy to see why he has been named Employee of the Quarter for the first quarter of 2010.

Russ, however, credits the technology at APFS in enabling him to serve the ever-growing number of representatives at American Portfolios.

"The technology makes all the difference. This is something you couldn't do by hand, not even with 100 people. It's a lot of work, with the growth over the years, but it's doable because of the technology."

However, Finance Supervisor Michelle Schwab believes it is more than just the technology that gets the job done well; it's who Russ is as a person. "Russ has been great to work with. When I first started, he was extremely helpful in teaching me how the commission system, Xtiva, works so that I would be able to assist him with commissions. He is always willing to help with questions that I may not be that familiar with. We shared an office with each other for almost five years and he was always very friendly and helpful."

Throughout the growth of American Portfolios, Russ has been a dedicated and loyal employee, one who has embraced the ideas of CEO Lon T. Dolber and has worked relentlessly to service the reps that are so much a part of the APFS culture. "Lon had a vision from the beginning—to build up the organization. That vision has come to fruition over the years. It's come full circle. It's nice to be a part of that."

The firm couldn't be happier to have you be a part of its past, present and future. Congratulations, Russ!

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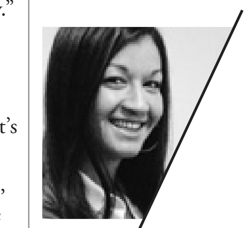
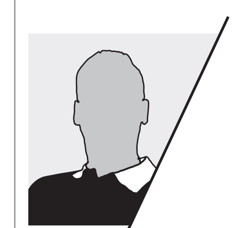
SPOT AWARDS

Each quarter Spot Awards are given to those employees who have exhibited a specific noteworthy act or accomplishment at the firm. This award acknowledges employees, before their supervisors and peers, for their outstanding work. At the same time, it reinforces the behaviors and values that are important at American Portfolios. The following APFS employees, at the request of their supervisors, received Spot Awards in the first-quarter of 2010...

KRISTEN LEE
Accounting Associate
"Over the past several months, we have had a much larger work load than usual, but what often makes it more manageable is a department member who really knows what the word 'team' means. No matter what is asked, she is there with a smile."
– Anne Antunovich
Director of Finance and Accounting



SARA DOLBER
Advisory Services Associate
"Even though Sara is new to the advisory services area, she has shown initiative. The integrity with which she carries herself while conducting tasks is outstanding. She is a hard worker, learns quickly and is not afraid to tackle whatever is assigned to her."
– Dee Gibbons
Advisory Compliance Associate



TIM HANNIGAN
Mail Room and Facilities Management Associate
"Tim was instrumental in interacting with UPS and other APFS employees to create a streamlined process to upload and create over 1,200 overnight airship mailing labels - a long and arduous process. He went above and beyond the normal course of duty, working quickly, with creativity and in a collaborative fashion to accomplish this project."
– Dean Bruno
COO

JOSEPH REMIA
Compliance Associate
"Joe works a great amount of hours above and beyond what is required. He usually is the last to leave the office. His assigned tasks can be daunting, yet he never rejects any additional projects placed on his shoulders."
– Frank Giacchetto
Senior Vice President and Chief Compliance Officer

First APFS ASSISTANT'S DAY EVENT a Success

by Shauna K. Faulkner










American Portfolios Financial Services, Inc. held its first-ever Assistant's Day Tuesday, March 9, at the home office in Holbrook, N.Y. The event was a collaborative effort from various APFS departments, which brought registered and non-registered assistants together to learn from each other and better understand the various services and technologies available through the broker/dealer.

Fifty assistants attended the day-long event, coming from as far away as Ohio and Florida. APFS hosted a dinner the night before to kick-off the event, allowing assistants from different branches the opportunity to mingle and get to know one another. Then it was down to brass tacks the following day, with presentations on the STARS platform, Albridge and the APFS Web site. The compliance department participated by speaking about branch office management, while the advisory services department presented information on how American Portfolios Advisors operates. Also included throughout the day were segments on doing business through Pershing, the current state of the firm, a Q&A period and tour of the home office.

According to Relationship Manager Melissa Wade, the objective of Assistant's Day was to train and educate support-staff in the field on the day-to-day functions—as directed by the home office—that should be taking place at their respective branch locations. "We wanted assistants to know that they play a very important and essential role in the success of the reps they work under, as well as the broker/dealer. Assistant's Day was a great way to bring many of the assistants together—from representatives' offices to OSJs—to share ideas and ask questions about processes and procedures."

The event received wonderful feedback from those in attendance. "I think Assistant's Day gave a superb overview of the operational systems of AP," said Mary Ellsworth, a registered assistant at Madison Wealth Managers in Glens Falls, N.Y. "The event was well-organized and each presentation was informative and understandable. It was enjoyable to meet the members of the back office and put faces with names. I also found it beneficial to speak with other assistants throughout the organization."

APFS plans to make Assistant's Day an annual event, allowing assistants—new and existing—to gain more knowledge, learn from their peers and interact with the home office.

COO'S CORNER

2010 *opens with a* FEVEROUS PITCH

by Dean Bruno

APFS IS ON PACE TO BRING on board 240 colleagues this year from various wirehouse firms and insurance company-owned broker/dealers. The transitions, representative services, relationship management, new accounts and operations teams have been working hard to accommodate the influx of new colleagues to the firm. The monthly average of new account openings through our clearing firm, Pershing, LLC, has increased steadily since the summer of 2009, from 1,100 to approximately 1,500. In addition, the quantity of account transfers at Pershing has increased from 600 pending transfers to over 2,700. All of this is done in an effort to meet our firm's goal of 1,000 registered representatives producing $250 million in annual revenues.

With this ongoing influx of new colleagues, accounts and transfers comes a host of other introductions and services that American Portfolios has rolled out in the first quarter of 2010.

NEW EQUITY COMMISSION SCHEDULE AND MARKUP GUIDELINES FOR THE SECONDARY BOND MARKET

In mid-March, APFS adopted a new equity commission schedule and implemented new markup guidelines for the secondary bond market. For the 56v and JTP account ranges at Pershing, APFS adopted a new equity commission schedule to accommodate higher priced securities where our maximum commission percentages under the old schedule were not high enough. The new schedule formula is as follows:

Principal Dollar Amount	Maximum Commission Percentage*
Up to $5,000.00	4.50%
$5,000.01 - $10,000.00	4.25%
$10,000.01 - $25,000.00	4.00%
$25,000.01 - $50,000.00	3.50%
$50,000.01 - $100,000.00	3.00%
$100,000.01 - $250,000.00	2.25%
$250,000.01 and above	2.00%

Please note that the existing broker/dealer $50 minimum commission policy still applies. The maximum commission schedule is not meant to be normal and permissible for every transaction. FINRA regulations require that commissions charged be fair and based on relevant circumstances. As such, the APFS compliance department will run exception reports to see if colleagues are complying with the above-mentioned parameters. Transactions that exceed the maximum commission will result in a cancellation and correction to the allowable maximum, and correction fees will be applied.

This new APFS maximum equity commission schedule can be found in the General Securities section of the APFS Broker Web site, while the revised maximum markup guideline for the secondary bond market can be found in the Fixed Income section of the Web site.

CAPITAL UNITS DISTRIBUTION

This spring, APFS announced the completion of the calculation for the capital units issuance for 2009. The issuance for 2009, as well as for prior years, has been posted on the broker Web site under your representative profile, via the grey Capital Units tab at the top of the profile screen. This tab allows you to see your capital units account balance at any time. In addition, we have also posted financial information, including the broker/dealer audited financials and a copy of the capital units document, in this section of the Web site.

American Portfolios Holdings, Inc. (APH), through its subsidiaries, has developed a highly-qualified group of financial service professionals who collectively demonstrate ability, experience and growth potential consistent with the goals and objectives on which the company was formed. It is the intention of management, through the capital units program, to share equity with its registered representatives and financial advisors, and reward them for their efforts as an incentive to work and help the company grow.

2010 FOCUS COMPANIES

APFS has added several new focus partners to our platform for 2010. Joining Grubb & Ellis and Wells REIT, APFS is pleased to welcome alternative investment companies Realty Capital and W.P. Carey & Co. to the group. Joining our mutual fund carriers Franklin Templeton, OppenheimerFunds and Pacific Life will be American Funds, DWS Scudder, Putnam and Allianz. Allianz has also been added to our annuity list, which currently includes AXA, Jackson National, National Integrity, John Hancock, MetLife, Nationwide, Pacific Life, Penn Mutual and Prudential. As always, you can find a complete listing of our focus partner companies on the APFS Web site under the Focus Section tab.

LIVEOFFICE

American Portfolios has secured the services of LiveOffice Advisor Mail for e-mail surveillance of our registered representatives. Effective March 5, all APFS OSJ supervising principals will be responsible for surveying, on a daily basis, the incoming and outgoing electronic correspondences of every representative for whom they are responsible through this LiveOffice feature. LiveOffice will allow supervising principals to properly review and document their daily e-mail supervisory responsibilities. Records detailing the progress of all reviews will be archived for future reference.

The link to LiveOffice is located in the compliance section of the APFS Broker Web site. Preliminary training materials are currently available in the Compliance Documents folder, titled E-mail Surveillance. Users must have Internet Explorer 7 in order to properly navigate the system. All browser-related issues should be directed to Business Technology Associate Ron Wyche at ext. 121.

REGIONAL MEETINGS

The first two regional meetings for 2010 were held in New York and Florida this May, and were met with much success. Managers of registered branch locations who attended will not be charged the APFS annual branch fee of $750 for 2010. This same allowance will apply to managers who attend the October 4-6 regional meeting in Indianapolis, Ind. Full details regarding that regional meeting will be sent out during the summer of 2010.

Until next time, we wish all the best for continued growth to our colleagues and to the broker/dealer for the remaining quarters of 2010.

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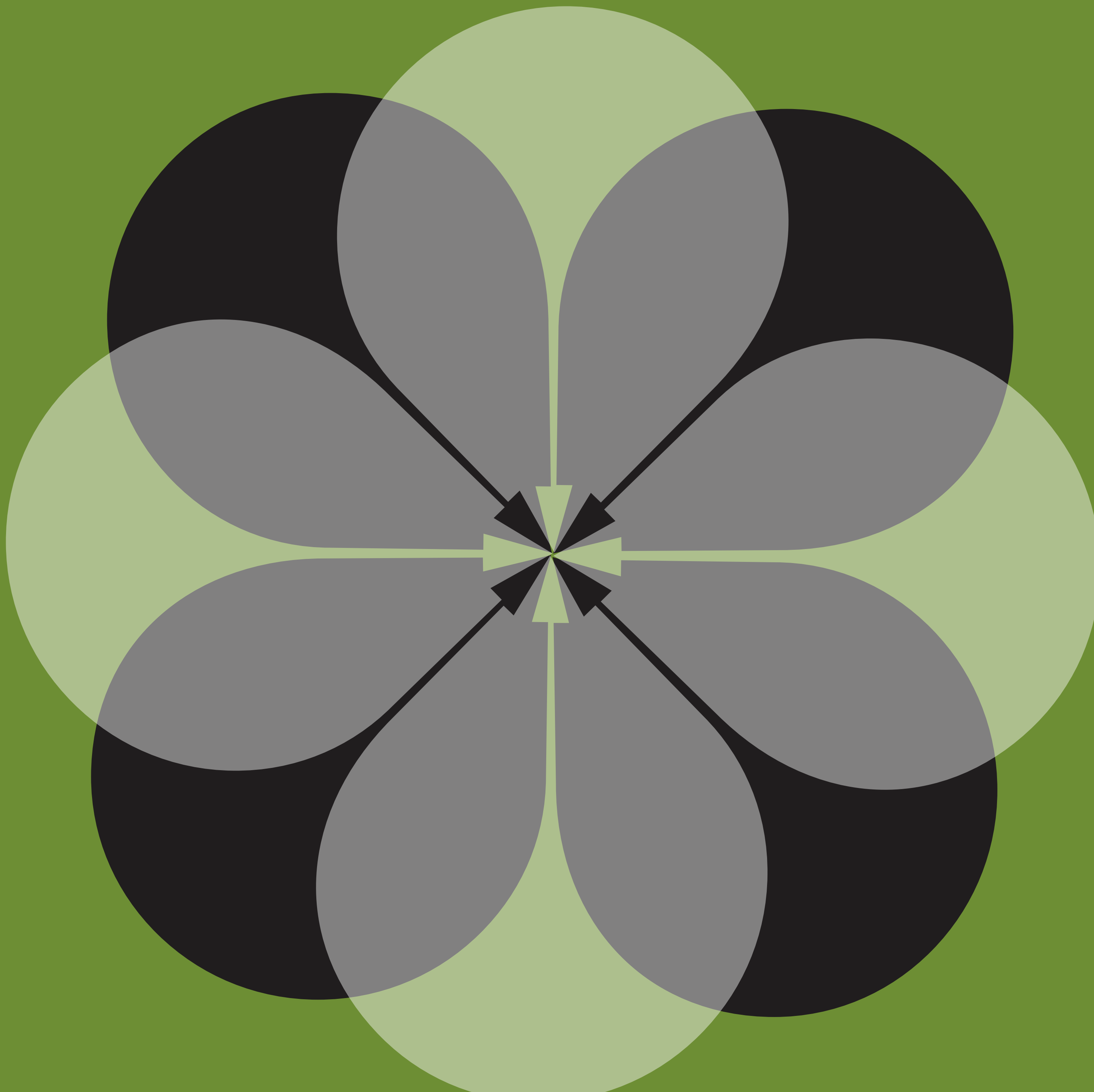


STAY CONNECTED

THE AMERICAN FORUM:
www.americanportfolios.com/forum
your broker login/password will be required to view this site

AMERICAN PORTFOLIOS

PRESIDENT'S PERSPECTIVE

BE PREPARED

by Tom M. Wirtshafter

IT MAY OR may not be a surprise that, from the ages of 12 to 17, I was an active and proud member of Boy Scout Troop 15, which met weekly in the basement, "social hall," of Plymouth Church on Coventry Road. While I never made it to the Eagle Scouts, an honor my older brother achieved, I was Troop 15's Senior Patrol Leader and, soon after that, their Junior Assistant Scout Master—my first ever leadership role.

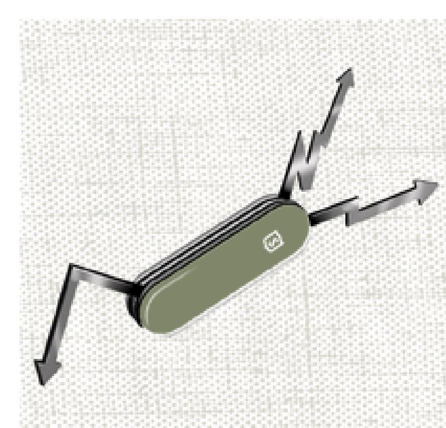
Some people peak in the environment provided by their high schools but, in truth, I probably peaked while participating in the Boy Scouts; what a great way to grow up. Troop 15 fostered great fun and camaraderie through practical and useful learning experiences. We learned how to administer first aid and how to lifeguard, as well as how to identify various plants and trees and how to survive in the wild. We learned about, and slept under the stars, all the while being instilled with the idea that we could leave a place better than we found it.

The Boy Scout Law is one that I still remember, for it remains my ideal wish for all dealings. "A scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean and reverent." But, perhaps it's the Boy Scout motto that continues to be the watchword of how to live one's life, and that is, "Be Prepared!" While times have changed, that motto seems to be as relevant today as it was when it was created in 1912.

Someone once asked Lord Baden-Powell, the founder of Scouting, what they should be prepared for.

"Why, for any old thing," Baden-Powell replied.

You see, he wasn't just thinking about being ready for emergencies, despite what our training would have you believe. He was talking about getting our minds and our bodies ready for anything ahead; for the changes and the opportunities that present themselves, especially when we don't see them coming. While we always hope for the best, we need to be ready for whatever happens—and when it comes to investing, that means both in our clients' expectations and in their portfolios.



Advisors have no way of predicting the markets, but what we do have is the ability, as well as a responsibility, to predict how a client's portfolio will be affected by what happens in the markets. To demonstrate Baden-Powell's point, we have a bigger responsibility to understand and anticipate how the client will act when something happens to the markets. Better yet, we must prepare our clients for "any old thing."

"He wanted *each Scout* to be *ready in mind* and *body* for *any struggles*, and to *meet with a strong heart*, whatever challenges might lie ahead… Doesn't that sound like the *best* way to *work* with an investor?"

In terms of fixed income, the exposure to changing interest rates, ratings, credit markets and defaults can be determined. Our clearing firm, Pershing, LLC, provides a fixed income review (FIPS) that outlines the specifics about each fixed income investment, as well as shows what would happen if there was a shock to the portfolio. It is well known that many states and municipalities are struggling to keep balanced budgets and, in truth, the possibility of default is a reality for some. How are the municipalities and states that your clients are invested in doing? Knowing that information shows you are truly being prepared.

When it comes to equity markets, it is much harder to see how a portfolio will do in bull markets, bear markets, different sectors and with rising inflation and interest rates, when the dollar is rising or losing value. But, it is possible. For example, if you are using dividends for income, you can watch the percent of income being distributed as dividends to see how likely it is that the dividend will increase, decrease or be eliminated entirely.

Too many times, we see the investing public go from pillar to post, from one disaster to another, each time thinking that the lesson learned is that there are "good investments" and "bad investments." After all, doesn't everyone have their share of winners and losers when it comes to investing? However, it has to be more than that.

What makes winners? What makes losers? How do different market conditions help some, but not others? The sad truth about the markets and investing in general is that one of the biggest reasons mutuals don't perform as well as the indexes is that they have to liquidate at exactly the wrong time, which is the time the client has given up and taken their money out of the market. Wouldn't a better mindset be to pick the course, pick the allocation and stick with it, making adjustments over time? Wouldn't "being prepared" make that more likely to happen? If only life were that easy.

Michael Lewis's new book, "The Big Short," tells the story of the winners in the financial meltdown of the credit default swaps and subprime mortgages. Lewis's winners were those individuals who did not rely on the thinking of others; they were those who did their own research and understood and bet on the inefficiencies of the marketplace, thereby making them the individuals who were, in fact, best prepared.

Baden-Powell's idea was that all Scouts – boys and girls – should prepare themselves to become productive citizens and to give happiness to other people. He wanted each Scout to be ready in mind and body for any struggles, and to meet with a strong heart whatever challenges might lie ahead…

Doesn't that sound like the best way to work with an investor?

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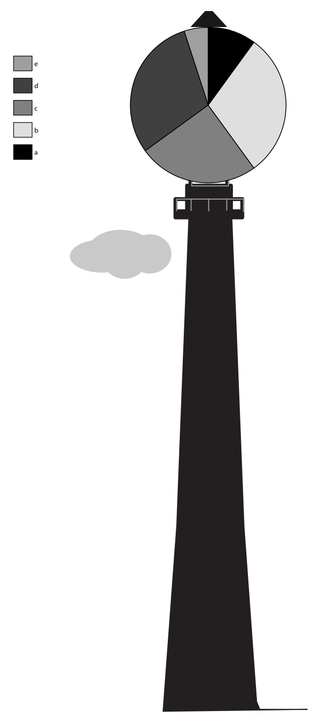
COUNSELOR'S DESK

Light Your **Beacon**

by Frank A. Tauches, Jr.



The last two years have been difficult for our profession, with each crisis surpassed in gravity by the next crisis. While the decline of the economy and market have taken their toll on clients, advisors, firms and our industry as a whole, there has been some serious stabilization and appears to be "a light at the end of the tunnel." Whether that light proves to be a flickering candle or a bright beacon remains to be seen. Either way, there are some significant efforts you can make to create your own beacon for your future and the future of your practice. One thing is certain: this economy has created unprecedented opportunity.

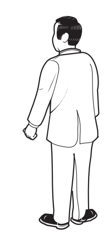
Look at your practice from all perspectives and decide how you want to reshape and expand it. Review your approach to investing assets over the last ten years: Were there concentrations you should have avoided in favor of more diversification? Were there investment vehicles that would have better served your clients in the current environment? Explore new (and old) ideas on investment approaches and take the necessary steps to be comfortable recommending these products to your clients.

> "In my 35 years of experience *on the legal side of this profession,* more than half of all customer *complaints* and matters of *litigation* and *arbitration* came from clients with whom the advisor had *some reservation* about being right for, or comfortable with, *at the outset* of the *relationship.*"

Assess how your relationships have evolved with your clients during this timeframe and decide what steps you have to take to solidify those relationships. As you examine your client relationships, decide how you want to expand your practice in the future from a client characteristic standpoint. Create the profile of the client you feel will work best with you going forward and try to focus your efforts in that direction. As an interesting side note, in my 35 years of experience on the legal side of this profession, more than half of all customer complaints and matters of litigation and arbitration came from clients with whom the advisor had some reservation about being right for, or comfortable with, at the outset of the relationship.

Examine your administrative and sales support mechanism: Is your technology current and are you facile with its utilization? Does it best suit your practice? APFS has focused a great deal of energy in providing the tools and technology that best serve our advisors. We have supplemented this with home office support personnel and information on our Web site that can be used for training and technical support.

Is your manpower sufficient to support your practice? Consider adding a sales assistant on a full-time or even part-time basis so you can better utilize your time. Look for close sources to start: a spouse, a child, a student, a retiree. But, take your time to insure that whomever you bring on board adds to the solution, not to the burden. I am always impressed, when APFS holds sales assistant conferences at our home office, with the dedication and competence of the sales assistants and administrative managers that support your efforts. Even in transitions and operations, an advisor with his own sales support individual has far less issues and a far smoother and hassle free practice.



In examining your practice, mull over some big decisions that might be worth considering, like is it time to shift focus from a transaction-based practice to a fee-based advisory practice? This is definitely a business approach worth considering, but it really requires a change of mindset. In exploring this, talk to colleagues who have made this transition and, most importantly, speak to our American Portfolios Advisory team. They can be your greatest resource through the process.

While you're examining your practice, consider strategic alliances and succession planning. Many advisors have reaped great benefits by merging practices, acquiring practices and even selling portions of their practice, freeing themselves to focus in a new direction. APFS has put in place strategic alliances with FP Transitions and Pershing to help you with implementing such decisions; these are both topics that I'll cover in upcoming issues, however. As always, feel free to call or e-mail me at any time.

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INSPIRE

THE FIDUCIARY STANDARD

-by -

Philip Cordero

The SEC was primarily established by Congress in 1934 to regulate the nation's stock market. Part of the responsibility of the SEC is to oversee a number of laws that govern the securities sector, including the Securities Exchange Act of 1934, which regulates broker/dealers, and the Investment Advisers Act of 1940, which regulates registered investment advisors.

There is currently pending legislation seeking to align broker/dealer and investment advisor regulation that would provide the SEC with a course to adopt and enforce the fiduciary duty requiring investment professionals to act "solely in the interest of the customer or client," without regard to the broker's or advisor's own interests. In addition, the SEC would have the right to ban sales practices, conflicts of interest and compensation schemes that interfere with the fiduciary duty. It would also establish rules for "simple and clear disclosures" related to the relationship between an advisor and an investor.

While the jury is still out on the extent to which the fiduciary standard will be applied across financial services, should it go the way of alignment across all segments of the industry, the impact could be significant. For one, registered representatives who offer advice to clients will need to adopt a new frame of mind, as their interactions with customers will transform from a salesperson customer relationship governed by transactional rules of conduct—such as the suitability standard—to an advisor client relationship governed by an ethics-based fiduciary standard. In short, broker/dealers will have to change their approach with regard to regulatory requirements, such as record keeping, training, supervision, compliance and disclosure. B/D firms would be required to add fiduciary concepts into their training in order to ensure that their registered reps fully understand the position of a fiduciary and its affects on investment advice and general communications with clients. It would also affect compensation structures for reps who have traditionally received commissions and other financial incentives related to product sales. For example, if broker/dealers are required to conform to the fiduciary standard, it might mean greater movement towards fees and a shifting away from commissions.

> But maybe *the most crucial area* where *rules could change* for both broker/dealers and investment advisors *is* PRINCIPAL TRANSACTIONS.

Advisors would also need to adjust their verbal and written representations in the services and products they offer. Broker/dealer reps would be responsible for aligning with current investment advisor disclosure requirements, which would mean clearly disclosing any obvious conflicts of interest as well as complying with any new regulations requiring "straight-forward" disclosures about the nature of the relationship between the investor and rep. Supervisory procedures and compliance systems would have to be expanded to include records evidencing that the reps have fulfilled their fiduciary obligations.

Holding brokers to a fiduciary standard would mean additional regulations and, indeed, more complex ones. Although many independent broker/dealers have begun moving in the direction of allowing registered representatives to acknowledge that they are fiduciaries, most wirehouse firms are aggressively arguing that their advisors are not fiduciaries; selling agreements with third-party managers and proprietary products are all part of a very large revenue stream for them. In fact, many of these firms would expect a sharp downturn in revenue, because, holding financial institutions accountable for a product or investment that is suitable for the client and also priced accordingly to similar alternatives may compromise the revenue of the organization. Nonetheless, some industry insiders believe since advisors have the liability, whether they believe it or not, it is better to just acknowledge the responsibility so that they can quantify it and protect themselves against it.

These proposed new rules, at a minimum, would create clear and simple disclosures and, as discussed above, firms and reps would need to create and maintain more detailed records documenting these disclosures and any other interactions with investors.

Most regulatory reform initiatives have focused on distinct standards of care owed by broker/dealers and investment advisors to their clients, which could lead to different regulations related to institutional investors as well. To conclude, those firms and reps that have already embraced a fiduciary approach to relationships with their clients will be ahead of the curve. Once a fiduciary frame of mind has been adopted, advisors will be able to focus on improving their relationships with their clients as they adjust to any new regulatory requirements.

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BOOMER BEAT

PART 1

ESTATE PLANNING:

MARRIAGE or *NOT*

By Timothy Rossiter

IT SEEMS AS though, for a potpourri of reasons, many heterosexual couples opt to live together as life partners instead of participating in the institute of marriage. In fact, as reported in The Elder Law Report (Volume 21, No. 6 - January 2010), in 2006 1.8 million Americans aged 50 and above lived in heterosexual, unmarried partner households.

It is well known that we live in a society where all too often marriage ends in divorce. Perhaps this occurrence dissuades people from taking vows once, let alone a second time, after a divorce or even the loss of a spouse. I know that shortly after my wife's death, I received a heartfelt note from my friend, APFS colleague John Kosinski, in which he suggested I join him as "a member of a club to which neither of us ever expected to belong." Most men do not expect to outlive their spouses and many have not remarried. There are, however, many considerations from an estate planning point-of-view, which seem to support the institution of marriage. This article, the first of a two-part series on marriage and estate planning, will highlight some of those considerations.

NON-QUALIFIED ANNUITY: The Tax Code allows for a spousal continuation for non-qualified annuities. This occurs when the surviving spouse is named as the primary beneficiary of the annuity. This spouse may elect to rollover the contract into their name to continue the deferred status. The unmarried surviving partner is not permitted this tax advantage.

A STEP UP IN TAX BASIS: The surviving spouse of a jointly-owned asset receives a 50 percent step up in tax basis, even if he or she did not contribute to the asset. In common-law states, the surviving spouse provides a 100 percent step up even if he or she did not contribute. By contrast, the non-contributing partner to jointly-owned assets will not receive any step up in tax basis. He or she will only receive a carry-over basis from the deceased partner.

MEDICAL DECISION MAKING: In many states, the non-ill spouse is authorized by statute to make medical treatment decisions for the ill spouse. Such laws seldom grant the same right to an unmarried partner. Of course, this challenge can be easily remedied via a health care proxy.

> While there are issues that do not seem to *speak* in such strong support of marriage, it is obvious that many *existing statutes* tend to FAVOR A PRO-MARRIAGE *POSITION.*

FEDERAL ESTATE TAX: The Federal Estate Tax provides an unlimited marital deduction against Federal Estate Tax when a surviving spouse receives all of the assets, whereas the unmarried partner receives nothing.

FEDERAL GIFT TAXES: Spouses enjoy unlimited lifetime gifts to one another without incurring any gift tax. By contrast, unmarried persons may only gift $1 million without any gift tax consequences. When making gifts to others, each spouse in the marriage can gift $13,000 as an annual gift. Together, that's up to $26,000.

SALE OF A HOME: The Internal Revenue Code 121 provides a $500,000 exclusion for married couples when a home is sold, even if the home was owned by only one spouse. If the couple is living together, is not married and the home is sold, the exclusion is only $250,000.

IRA/RETIREMENT PLAN ADVANTAGES: The Internal Revenue Code allows a non-working spouse to contribute to an IRA if the working spouse has sufficiently earned income. This advantage is not permitted for unmarried partners. The Internal Revenue Code provides additional tax advantages to the surviving spouse if named as primary beneficiary, namely that the IRA can be rolled over into their own name. Unmarried partners do not enjoy this advantage.

PROBATE LAWS: In most states, probate laws favor the surviving spouse as the appointed personal representative when there is no will. Again, this is not the case with unmarried couples.

FUNERAL AND BURIAL DECISIONS: Most states grant the surviving spouse the right to determine funeral and burial arrangements for the deceased spouse. The unmarried partner will likely have little control over such end-of-life decisions.

While there are issues that do not seem to speak in such strong support of marriage, it is obvious that many existing statutes tend to favor a pro-marriage position. In the next installment, we will discuss those and other planning considerations for unmarried couples, specifically related to later-in-life relationships.

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American Portfolios does not offer tax or legal advice. Always consult the appropriate professional.

VIEW FROM THE FIELD

THE 401 NOT OK

by Stephen Davis

GONE FOREVER ARE the days you could plan to retire with a fat pension provided generously by the employer you loyally spent the majority of your working life with.

Those pension plans that remain are usually found in union-dominated industries, which are bankrupting the company that provides them. In the public sector, school district and police department retirement plans are deficit-funded by rising taxes in order to continue the generous inflation protection benefits they currently enjoy. As a result, taxpayers are being overburdened by the strain and, aptly, are starting to revolt.

But the seeds of change started years ago. In the late 80s, companies began abandoning their pension plans and adopting the participant-driven 401(k), plan. Today the 401(k) has become the de facto pension plan and is found in virtually every company in the U.S.

But all is not well with the pension/retirement system and the winds of change are blowing again over the retirement landscape. The volatile markets of 2008 exposed major flaws in the 401(k), like the inability of plan participants to choose an appropriate asset allocation, or even to successfully negotiate market cycles without taking big losses.

Investment losses also exposed the high costs heaped upon participants by insurance companies and mutual fund plan sponsors. In response to the rising chorus of protests, congress took up the mantle and has debated new legislation designed to improve the prospects for an individual investors' success. There is a lot at stake here. Millions of Americans will need to retire in the next 20 years and without enough savings; their shortfall will stretch the government's resources to the limit, mortally impacting our deficits and credit potential.

Historically, pension plans were run by professional money managers who were held accountable for their investment decisions. As such, they tended to be cautious and prudent custodians of your money. Your 401(k), however, has no such captain to steer the ship. Plan participants are forced to act on their own behalf as investment professionals, but without the investment experience or expertise necessary to do so successfully.

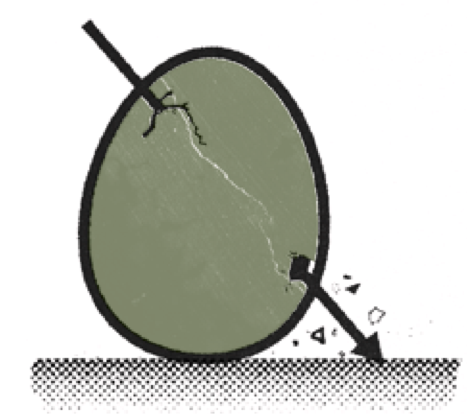
What about the employer? Should they be responsible? Plan trustees want to avoid the liability of recommending specific investments or strategies to their employees for fear of being sued. So they limit advice to generic asset allocation strategies providing no actual professional management.

Herein lies the dilemma. How do we bring better investment success to the 401(k)?

Congress has recognized the problem and has debated whether to fix the 401(k), or whether to scrap it altogether in favor of some other alternative.

As I mentioned, the 401(k) has become the de facto retirement plan for the baby boomer generation. And if they fail, we all have a major problem. With broken retirement plan balances that are inadequate in meeting income needs necessary to last through retirement, the government sees a significant challenge in helping seniors who are broke. Social Security, Medicaid/Medicare and welfare are the fallback and are already in serious trouble. The nation simply cannot afford to ignore the problem. That's why the 401(k) will be the continued focus of the government seeking ways to improve and insure the system against default, which means more government intervention and regulation.

> …all *is not well* with the pension/retirement system and the winds of *change* are blowing again over *the retirement landscape.*



What remains to be regulated are plan expenses, performance management and mandatory participation. And what will be the effect of those proposed new laws? Well for one, the high cost (high fund fee) driven plan designed to compensate a salesman will die. In fact, I believe the current commission-based model will be regulated away in favor of a strictly fee-for-service model.

The problem with the current broker-sold mutual fund/insurance company/annuity-based model is the multiple layers of fees necessary to compensate those on the delivery side of the system. And the "Catch-22" is they are commission-driven without the ability to deliver quality advice. Brokers are required to adhere to a "suitability standard," not the higher "fiduciary standard," but at the same time are held to the fiduciary standard anyway without being fiduciaries. Not only that, but the brokerage firms and insurance companies themselves become fiduciaries by default and assume all the same risks of the broker/advisor because they also receive compensation. Stated another way, getting paid for not giving advice is a problem.

Let's be clear: Providing generic advice on asset classes is not investment advice. Vetting the funds chosen for the plan does not mitigate trustee/fiduciary liability. Only a contracted registered investment advisor can assume fiduciary liability and provide a "fiduciary wall" of protection for trustees.

It is quickly becoming understood that the only practical solution is a fee-based system where registered investment advisors (who can legally earn fees for advice) provide advice in the form of fund selection for the plan (plan level) and for the participant (participant level). Be aware that this places the advisor directly in the crosshairs of the regulators, because they now become a plan fiduciary.

What are the options? Professionally-managed, risk-based portfolios designed to meet investor risk profiles and objectives will take the place of participants randomly selecting funds. That system is fraught with the risk of overconcentration into more volatile asset classes and feeble attempts to time the market, leading to selling low and buying high, or selling low and not buying at all. That was the result in 2009 as many investors sat on the sidelines in cash, only to watch the single most dramatic comeback from decline in history.

What can we expect going forward?

Beginning in 2010, plan trustees are required to inform participants in real dollar terms on their statements how much they are paying in fees for administration, fund management and fund expenses, like management fees, trading costs, bid and ask spreads and more. However, because of a glitch in the law, plan sponsors are not required to provide that information for Schedule C on the 5500 tax form. Some will likely do so anyway, but trustees may have a hard time complying. Congress will also take up the fiduciary issue and we are likely to see more regulation pointing toward increased liability for trustees of plans who don't bring a higher level of investment management to their 401(k) plan.

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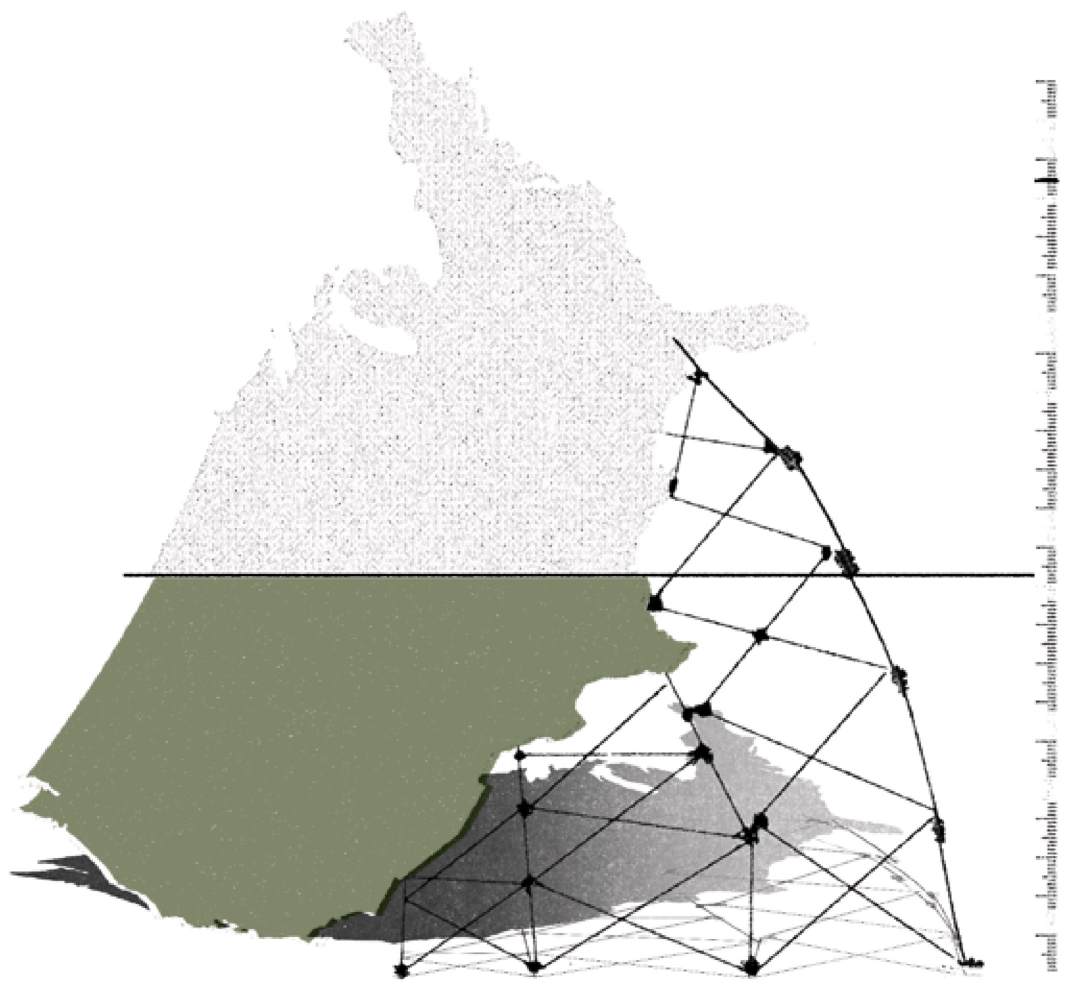
ECONOMIC AND MARKET COMMENTARY

INDICATORS POINT *to* LIMITED GROWTH:

Things are Getting Better, but there is a Long Road Ahead *By Stephen Molyneaux*



THE FIRST QUARTER of 2010 comes to a close with equity markets moving higher and an overall sense that the economy is slowly recovering from the worst slump since the 1930s. The economy is still very fragile, but economic growth, while still slow, appears to be on a sustainable path. Credit markets are much improved and most indicators are pointing up. This is not to say, however, everything is rosy. There are large structural issues still unresolved: record high unemployment, elevated sovereign debt levels and a depressed housing market are all adding a certain level of anxiety to the markets. Uncertainty regarding changes in the tax code, national energy policies and a final version of health care reform have investors and employers feeling apprehensive.

EQUITIES We remain generally bullish on stocks. Earnings have been better than expected as corporate America has done an excellent job of controlling costs in hard times. The latest retail sales data reflects that the consumer is stronger than expected, and spending is being impacted more by stock prices than home prices. Long-term prospects for the equity markets are bullish, but a major correction (10-15 percent) due to profit taking is possible. We would not interpret such a correction as a reflection of market weakness, nor would it curb our long-term optimism. Interest rates should move up as economic growth stabilizes, but at the present time we see no significant short-term increase in inflation. Treasuries are not attractive on a total return basis, and we currently prefer investment grade corporate and high-yield bonds. With inflation expectations low, there is no need to have a big hedge in commodities; however, investors should maintain a 5-7 percent hedge in commodities.

THE ECONOMY IS SLOWLY RECOVERING FROM THE WORST SLUMP SINCE THE 1930S.

HOUSING Analyzing the housing market brings to mind Yogi Berra's famous quote, "This is like déjà vu all over again." First we had to face an avalanche of foreclosures due to the sub-prime mortgage debacle, and now we are confronted with a replay from a growing wave of pending foreclosures due to record-high unemployment. It is estimated there are about 5 to 7 million homeowners who are seriously delinquent (missed at least three monthly payments) on their mortgage and are in danger of slipping into foreclosure. Investors fret that as these delinquent properties fall into foreclosure and add to the supply of homes-for-sale, they will further degrade housing prices. This "shadow market" (delinquent loans which lenders expect to eventually be foreclosed upon) is a growing concern to real estate analysts. While government and private-lender programs have been designed to aid homeowners in modifying their existing loan payments, there is little hope for homeowners who can not even make a reduced mortgage payment due to extended periods of unemployment. The truth is, for the long-term, unemployed homeowner, there is little hope on the horizon. The vast majority of these shadow market properties will eventually go into foreclosure. Meanwhile, banks have slipped into a "foreclosure paralysis," whereby they are allowing the shadow market to grow unchecked because they do not want to further depress home prices by swelling the existing market with even more foreclosed properties. To make matters worse, many of these shadow market homes are located in the same areas that were hit hard by the sub-prime mess and now suffer very high unemployment rates—Arizona, Nevada, California and Florida.

It is difficult to make blanket statements about real estate nationwide because so much of it is local and dependent upon various regional factors. The Federal Reserve Board stopped purchasing mortgage-backed securities and the homebuyer tax credit expired in April. The Mortgage Bankers Association expects mortgage rates will move up about one point by the end of 2010 as a result of the Fed's action, and realtors are unsure how sales will be impacted when the homebuyer tax credit expires. While there are many signs of growing stability in many regions of the housing sector, the data would seem to indicate some segments of the housing market may struggle for years to come.

JOBS Persistent long-term unemployment remains a significant problem and will act as a drag on economic growth. Government and private economists, including White House economic advisors and Treasury officials, are all predicting unemployment will remain somewhere in the mid-to-high 9 percent range for the remainder of 2010, and linger near 8.5 - 9 percent in 2011.

STATE BUDGET WOES While it looks like the worst is over for private sector job losses, it may be just the beginning for state and local workers. To put it mildly, many state and local government budgets are nearing an unprecedented crisis whereby they are unable to balance their budgets without sizeable layoffs. A recent survey by the National Association of State Budget Offices reports that, even with the infusion of stimulus funds, 23 states have already resorted to layoffs and another 16 states have used furloughs in an attempt to close budget gaps. Unable to increase revenue due to depressed property values, record-high unemployment and dismal sales tax revenues, states are now forced to cut their payrolls, and many state budget officials admit they are entering unchartered territories when it comes to the drastic magnitude of the impact. It is estimated that, for fiscal year 2011, states will face a $180 billion budget gap. The Center on Budget and Policy Priorities (CBPP) estimates that, without any additional federal aid, states will implement budget cuts that will cost nearly 900,000 private and public sector jobs in 2011. An official from the CBPP said it is not accurate to describe the current budget crunch as a revenue shortfall, but more aptly should describe it as a revenue collapse. He went on to say, in proportional terms, there has never been a drop in state revenues like we are seeing now.

GLOBAL INVESTMENT OUTLOOK Greece's debt problem and the deteriorating relationship between China and the U.S. regarding the yuan will probably continue to dominate the news. The Chinese government has ratcheted-up the rhetoric by insisting the yuan is fairly valued and any decision regarding their currency is a sovereign matter and none of Washington's business. More and more, statements issued by Chinese officials have a snarky tone that implies Washington has no room to criticize China, and should instead concentrate on "the safety of dollar assets." While U.S. officials are not yet proposing a hardball policy, there is growing pressure for the government to take some type of action. With the global economy still in the earliest stages of recovery, any hint of tariffs or protectionist policies could have terrible implications. The greatest concern for investors is the speed at which any escalation in a tit-for-tat trade skirmish could roil markets. Investors need to keep a close eye on government actions and statements which may indicate a further eroding of relations.

In contrast, as fast as the Chinese currency situation may change, chances are the debt crisis currently engulfing Greece will drag on for years and years. France and Germany are still at odds about how to proceed with a rescue plan. France backs a European solution, while Germany is favoring an IMF-led package of aid. If push comes to shove, Germany will most likely dictate the terms and details of the bailout. Greek officials are already grumbling about Germany's "cult of austerity" and their fixation on debt. The German government is insisting on steep budget cuts, tax increases and drastic changes in social benefit programs, such as state pensions and retirement plans, before any bailout is approved. With all the uncertainty regarding fiscal budgets in Portugal, Ireland, Italy and Spain, the euro may very well weaken against the U.S. dollar, and growth in the EU countries could be stunted.

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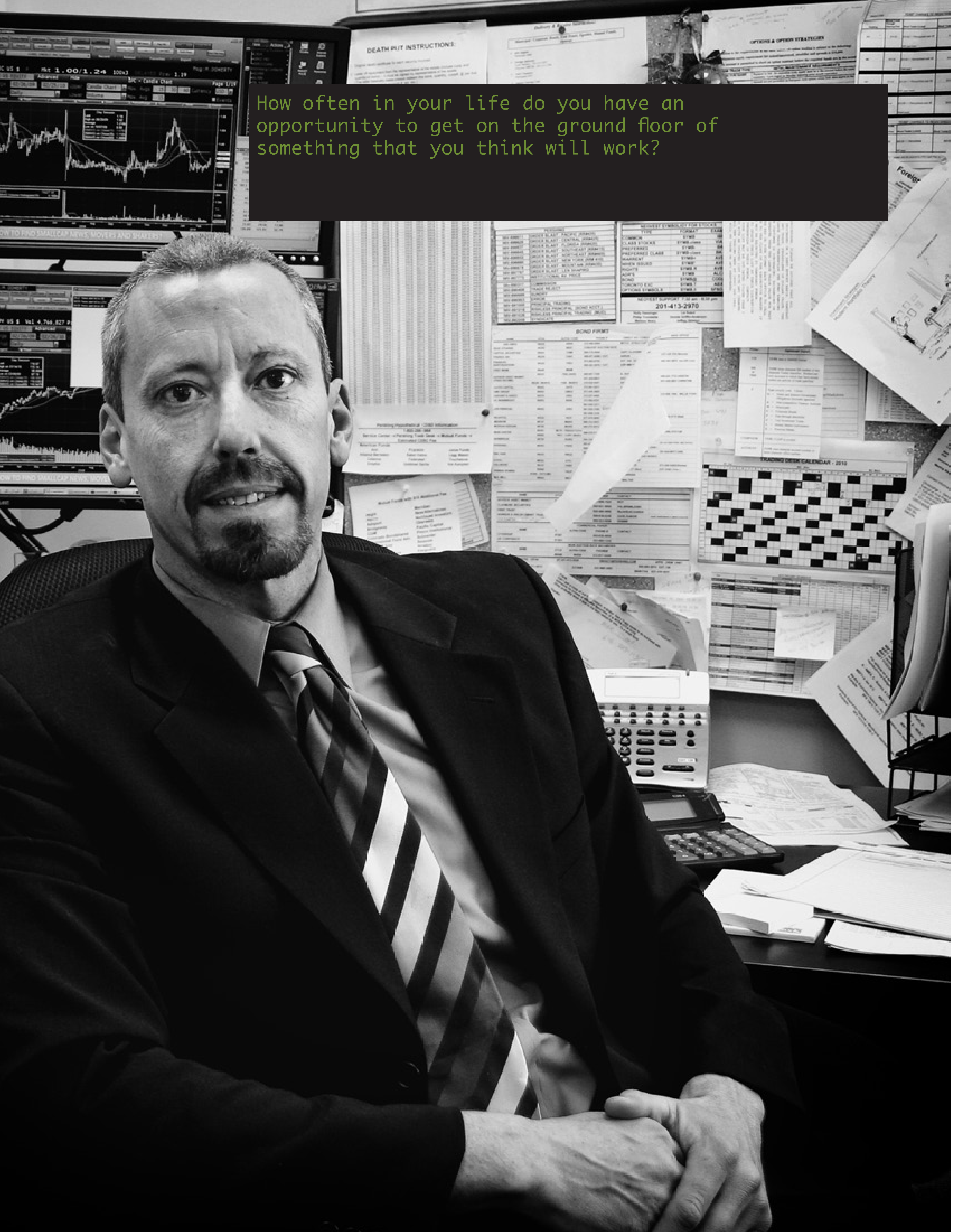
The views in this commentary do not necessarily represent those of APFS and are not intended as specific investment advice.

Marc Johnson →

The trading desk at APFS is the informational touchstone for affiliated colleagues and their questions about stock and bond trading. At the forefront of that desk is Senior Trader Marc Johnson, ready to tackle any inquiry with a sense of humor and, of course, a very hot and very large cup of coffee…

→INTERVIEW AND PHOTOS BY REBECCA DOLBER



How often in your life do you have an opportunity to get on the ground floor of something that you think will work?

FREE: **Tell us how you got started in this business and in what capacity?**

MJ: I started my career with Spear Leads and Kellogg answering phones on a correspondent desk, just like everyone else. Eventually, I became my own market-maker and had my own book with stocks, foreigns, ADR's and also had some clients on the side at the institutional level. But when Goldman Sachs came into the picture and bought the company, I knew the writing was on the wall for all of us. After Goldman Sachs laid us all off, I had a brief stint at David Lerner Associates. After I realized David Lerner Associates was not for me, I briefly worked as a mortgage broker, all the while looking for something else. I had a job lined up with the Reserve Fund, but due to an accident that left me with a smashed shoulder and concussion, they couldn't hold the position and I had to look elsewhere for work. Somehow, my resume ended up on Brad Goldner's (an AFPS affiliated representative) desk and he forwarded it along to Lon. I can honestly say that my interview at American Portfolios was one of the most painful ones to date.

FREE: **What do you mean?**

MJ: Well, as I was walking in, I looked down at my arm in a sling and thought, this doesn't look good. So, I went back to the car and took it off, thinking the interview wouldn't be that long. I just kept my hand in my pocket and went in. As it turned out, I was in there for two and a half hours! But the truth is, when I was listening to Lon and his vision for the company, which was then made up of only 17 employees, I forgot about the pain completely.

FREE: **So when did you start and in what capacity?**

MJ: I started in 2002 and there wasn't even a trading desk then. Trades were being run by (APFS Manager) Russell Clark and his Parsippany group. Operations Manager Phil Bredow had just come to AP about four months before me, and we took it over from Parsippany. We were new accounts, operations and trading; just the two of us.

FREE: **How has the department grown to fit the needs of the broker/dealer since 2001?**

MJ: I know for me, my knowledge since coming to AP has just exploded; I'm a jack-of-all-trades and a master-of-none. But back then I knew that as we grew, certain things had to be in place, and over time, it's happened; everything from getting a Bloomberg machine to growing the fixed income side. The department is always trying to think forward.

FREE: **Who is in the department now and in what capacity?**

MJ: Joe DeBono and Mike Boccio are both on the desk with me and are so aggressive about learning. You need that mentality in this department. In terms of what we all do, I try to keep things horizontal, meaning we are all working on everything together. Technically, there's a hierarchy, but I just don't work that way. We all tackle it, which is the best way because if someone is out, we're covered and everyone knows what's going on.

FREE: **How has the current economy affected your day?**

MJ: It's going to take a few years for this economy to bounce back and that puts more stress on the brokers. They are the ones on the front lines. They're the one's dealing with the clients who are scared and sometimes that filters back to us. I have to be honest, sometimes my day can be "buy, sell, what do you want, click," but sometimes I feel like a therapist to people. But that's part of the job and I enjoy doing it.

FREE: **What is it like dealing with one clearing firm since our consolidation?**

MJ: From a trading perspective it's much easier, because before we were learning two different ways to do the same thing and, with that, resources were being spread too thin. From a firm perspective, in my opinion, it's a very smart move. We can focus on one clearing firm now. You just have to adapt and move forward. And sometimes, you have to take a step back in order to take two steps forward.

FREE: **Tell us about Pershing's online trading through NetX360?**

MJ: Like any new technology, there are a lot of improvements compared to its predecessor, NetX-Pro. Everything looks different, which can be intimidating. A couple of things come to mind, like the ability to see CDSC information on mutual funds, or a tab feature which allows you to have multiple screens running at once. I'm still learning some of the new features myself. I highly suggest users look at the Learning Center located in the Resources tab. Pershing constantly offers online classes, as well as reference guides, to help people learn NetX360, as well as practice management.

FREE: **How about the new fixed income platform? Can you tell us a little about Advisor Asset Management?**

MJ: Advisor Asset Management (AAM) offers more to our reps on the research side. It's another tool that reps can use and one that they can easily access through a link on our Web site. At the desk, we deal with between 15 and 20 different bond correspondents. There's no way I can consolidate that and bring it out there. So, AAM, or any of our other platforms, is another avenue for our reps to explore. Once a rep gets used to their own niche business that he or she is trying to do, they can choose which way to go. And opening doors is good too, so our reps have choices and they aren't solely reliant on just Pershing or just us.

FREE: **How does after hours trading work?**

MJ: After hours trading has some risk involved because there's very little liquidity. You have to understand the markets and what's going on because spreads are much wider. I offer it to a few people, if they feel the need. It's there, but there should be a good reason for it because you are under a lot of risk.

FREE: **I know you are involved in the risk management meetings. What kinds of things do you talk about?**

MJ: That's classified.

FREE: **Oh yeah?**

MJ: (Laughs) No, not really. Basically, we just try to keep on top of what's going on in this ever-changing environment and keep our representatives and our firm compliant.

FREE: **What's the best advice anyone's ever given you?**

MJ: Never go a day without laughing at least once. I believe if you can get work done while cracking a laugh, that is the best atmosphere to keep you going—that, and a lot of cups of coffee.

FREE: **So what's in store for you and the department at APFS?**

MJ: I have a vision in the back of my head of where that desk will be in two to five years. Right now, the three of us are up to speed and operating fine. But give it a year or two, and if Lon keeps on with his vision for the firm, I anticipate needing two more people. As for me personally, I have no plans of going anywhere. This has been a great personal challenge. When I first came on this was a small firm, but Lon was very genuine and I knew there was something to what he was saying. It's been eight years and I wouldn't have come this far just to leave; I can't. I like to feel I had something to do with this. That's the real reason I jumped on it. How often in your life do you have an opportunity to get on the ground floor of something that you think will work?

FREE: **Rarely.**

MJ: Exactly.

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REP FEATURE

JUMPING into INVESTMENTS STEP -by- STEP

Jeff Baker's early years gave him a unique perspective on investing and building toward a goal.

By Bob Vogel

Photographs by Rebecca Dolber

COMPETING AS A 90-meter ski jumper on the U.S. Junior Olympic Ski Team at the age of 16, Jeff Baker's goal was to compete in the 1980 Lake Placid Olympics. Now, at 47, Baker sees his passion for and progression in ski jumping as a metaphor for his role as an American Portfolios investment advisor, helping clients work toward financial security.

Baker understands that the idea of becoming financially secure can seem as daunting as jumping off a 90-meter hill at 65 mph. "In the Olympics, none of the ski jumpers fell. They flew effortlessly to a smooth landing. That's because jumping is learned in small steps," he offers.

Baker started jumping at age 5 on a local hill near his parent's home in Brattleboro, Vt. "Back then it was what the local kids did. I started on a one-meter jump and, slowly over the years, progressed to bigger jumps until the 90-meter was easy for me. I worked hard and loved it."

Going into his third year at American Portfolios, it is clear that Baker's work ethic and ability to turn daunting tasks, like attaining financial stability, into a series of small goals is stronger than ever.

Like his ski jumping, Baker learned the business from the ground up. His first job was working as a shareholder services rep for Phoenix Company, Inc. "I started in 1987 and was fielding client calls when the market dropped 20 percent in a day. I learned first-hand what clients were going through and what they wanted during tough times," Baker recalls. Within four years, he moved up the Phoenix ladder to become an inside wholesaler, cold-calling to generate leads for reps.

In 1998 Baker took a big leap, leaving Phoenix to become an independent financial services representative with A.G. Edwards. He was with the company for five years before moving his business to Money Concepts where, with networking and mailing, he developed a solid client list. But it was in 2007 that Baker decided he wanted to start his own branch.

"A friend of mine from Phoenix knew Mike Lytle, the branch manager for the APFS OSJ in Canfield, Ohio, and said that American Portfolios was a good company that seemed to have the best technology in the business." At the time, Baker was clearing through Pershing, LLC, the same platform that AP uses. After looking at several other firms and talking extensively with Lytle and APFS National Sales Development Manager Tim O'Grady, Baker admittedly jumped at the chance to affiliate with the broker/dealer.

O'Grady remembers talking extensively with Baker, answering his questions. "Jeff is very detail-oriented," O'Grady recalls. As such, Baker put time into combing Greenfield, Mass., to find the perfect office space. "He put thought into setting it up just right. He wanted it to be very inviting and very professional," O'Grady says. "He spent the time, and it shows."

Olympic ski jumpers constantly make fine **adjustments to maximize** their distance as they soar through the air. In a similar way, Baker uses his **work ethic, passion and knowledge to maximize** return for his clients, have quality time with his family and a fulfilling life for himself.

The same can be said about the care he gives to his clients.

"When Jeff interviewed to join APFS, his first concern was that it had to be right for his clients," says O'Grady.

Baker admits as much. "When I made my move to American Portfolios, I was thinking—man, I hope my clients come with me.'" But, after he made the move, the feedback was positive. "First and foremost they liked the name—American Portfolios. For me the name is a big thing—I love my country, so I love having 'American' in the name."

As it turned out, over 95 percent of Baker's clients did stay with him, a fact he attributes to good communication.

"I always communicate with them so they know they can trust me. I give them undivided, heartfelt attention." This goes for the small things as well as the large ones. "A client called today and wanted to go paperless. So, I took the time and made it happen. It was important to him."

Staying in touch with clients, especially during tough times, is paramount for Baker. And as a rule, he communicates with every client by voice and by mail at least once a quarter.

"Jeff is amazingly efficient, very professional and just a terrific person," offers Lytle. "He is consistent in his business, consistent in his compliance and diligent about finding the best product and the best investment strategy for each individual."

For Baker, it's simple. "I have a personal stake in my client's welfare. I need to earn a paycheck but, first and foremost, I'm in it to help my clients' portfolios grow. In a tough market, it is a tough job."

A typical business day for Baker is a balance of meeting with clients, helping them figure out the best investment strategy, doing the proper paperwork and conducting follow-up. His clients range from beginning investors to multi-millionaires, with investments ranging from retirement plans to individual stock accounts. "Two things are vital in my business: When a client comes through the door I want them to feel as welcome as welcome can be. And, I service the heck out of them, because that is how you are going to keep them."

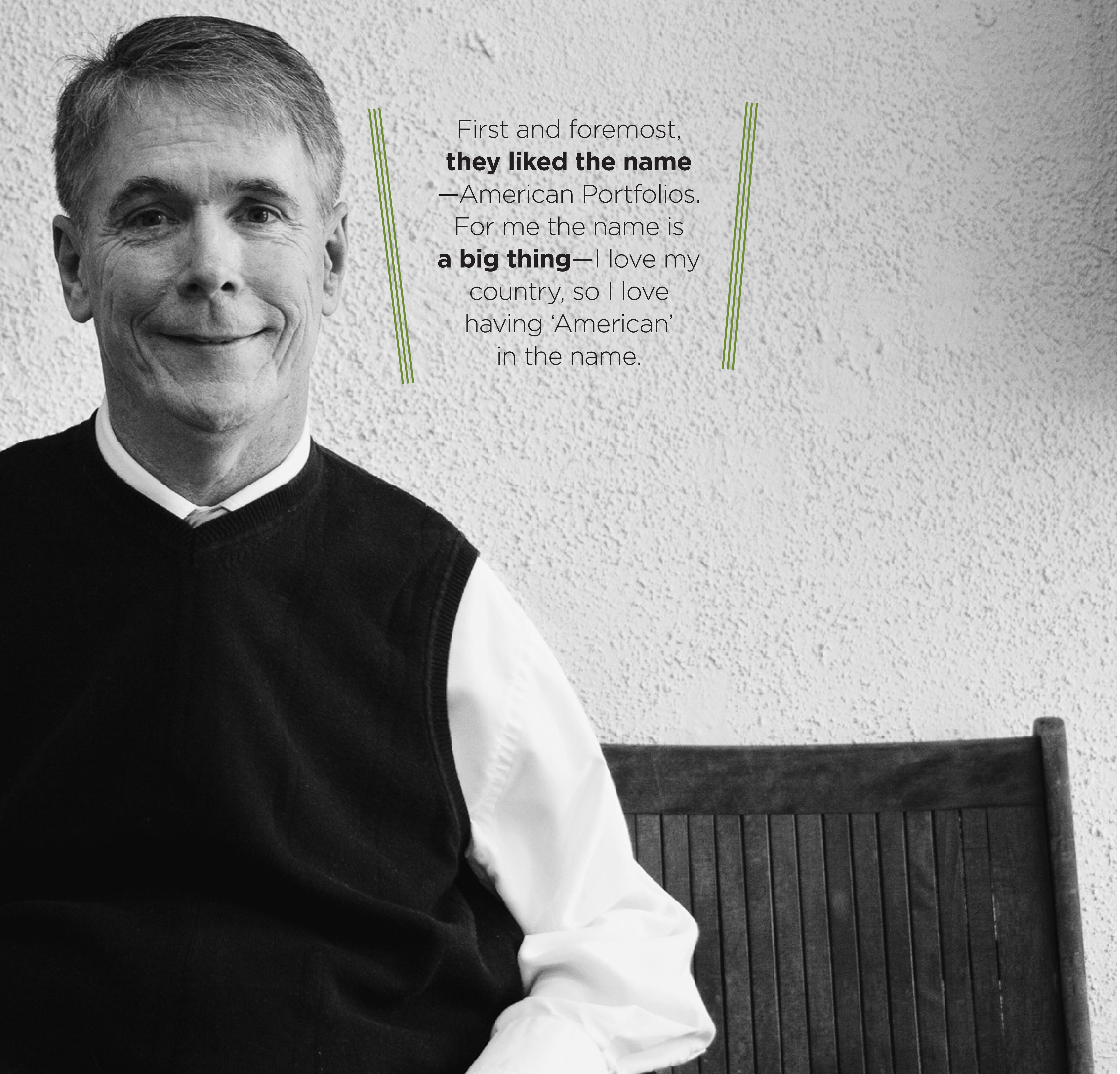
Although Baker tries to fit his busy work schedule into a 9-5 office day, it sometimes stretches into a 12-hour day because communication is such a vital part of his business. "The key for my clients is that they know I'm just a phone call away. Often this means I will be helping them on the phone before or after work hours."

The technology offered by American Portfolios also keeps Baker abreast of his clients' needs. "With the Albridge system I can pull up one screen and view all of a client's investments, which is especially great for me." Baker also likes to use the STARS system to manage transactions and keep things from falling through the cracks. And then there's the back office support.

"The company is great to work for because you can get assistance in anything you want. For me this is important. I know they have my back."

While his schedule would have most people scrambling in different directions, he somehow takes it in stride and makes plenty of time for his family. He and Cheryl, his wife of 22 years, have a 16-year-old son, Kyle, a 13-year-old daughter, Brooke, a dog and two cats. These days, he stays busy by going to see Brooke perform in plays and helping Kyle work on getting his driver's license.

And if his busy schedule isn't dizzying enough, there is a twist—a twist of fate.



First and foremost, **they liked the name** —American Portfolios. For me the name is **a big thing**—I love my country, so I love having 'American' in the name.

Baker never made it to the 1980 Olympics. In the summer of '79 he and some friends were diving off a covered bridge into a river, something they had done their whole lives. Baker miscalculated the water depth, hit the bottom and broke the fifth cervical vertebrae in his neck, ending up a C5 quadriplegic. The accident left Baker with no hand movement and no voluntary movement below his chest. He has arm movement, but only in his shoulders and biceps.

Baker relearned how to use and care for his paralyzed body at Boston University Hospital rehabilitation center. Somebody with his level of injury would usually be in a rehab hospital for nine months; Baker returned home in just three. His work ethic enabled him to maximize his physical therapy, and the hospital staff saw he had a strong family support system to return home to.

Although there are many ways the accident affected Baker's life, he readily admits how much it's intensified his drive. "I've always been a hard worker and had a positive outlook on life. My accident kind of turned up the volume for me to work even harder and be more positive," he says.

Now he gets around in a power wheelchair and drives a van equipped with a lift and modified hand controls that consist of two levers, one for gas and one for brake, that are operated by his left arm. To steer, he sets his right hand into a wrist and hand support mounted to a swivel on the steering wheel.

Baker has a personal care attendant that gets him dressed and ready in the morning. At night, his wife helps him out. "I need a hand with personal care, grooming and getting dressed. Also, since I have no hand movement, I have an assistant at the office that pulls files and puts them back for me. To use the computer, I type using the pinky knuckle on my right hand and also use my right hand for using a touchpad or trackball to move the curser. It takes some extra time, but to me it's just part of life. People that really know me don't really see the wheelchair, they just see me," he nonchalantly says.

His APFS colleague and friend, Dell Bernier, agrees.

"Jeff's the kind of New Englander you don't get to meet often enough," says Bernier, who has been working in the office with Jeff for over a year. "When Jeff transferred over to American Portfolios, he took me into his firm. He is fun, nice, cheerful and an inspiration; he has become my mentor, and I'm 54! In the office I feel we are partners and friends. A couple of weeks ago, Jeff asked for help on something, and I said, certainly, because that's how buddies are supposed to work together. He is a great guy and has had a huge effect on me."

Understandably so, as Baker's drive and love of life has him doing more in a chair than most people do on two legs.

"I love music—rock and roll and country. I give karaoke a try from time to time because I love music so much. I love dancing in my chair. I go out to clubs and dance. I don't let the wheelchair slow me down."

He is also a big football and baseball fan, following the New England Patriots and the Boston Red Sox. "I watch football on TV, but I still like to make it out to see the Red Sox play now and then. There is nothing like the sights, excitement, people, smells of the food and sounds in a ballpark."

Although he never competed in the Olympics, Baker's life is an example of the Olympic spirit—to showcase the best of human ability. Olympic ski jumpers constantly make fine adjustments to maximize their distance as they soar through the air. In a similar way, Baker uses his work ethic, passion and knowledge to maximize return for his clients, have quality time with his family and a fulfilling life for himself. "Working full-time, being a dad and husband, and managing to keep myself healthy is a challenge, but it seems to be going well. I don't know any other way to live. I choose to keep living this way."

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CLIENT PROFILE

Colleen Quinn

By Rebecca Dolber

Surgical Sales Representative for Medtronic, *Colleen Quinn* of Hudson, Ohio, tells her financial planner, APFS registered representative Mary-Jo Morello, that her job is to make her a *millionaire by 40*. With seven more years to go, this Client Profile looks to see if Colleen and MJ are on the right track!

FREE: A millionaire by 40, eh! How is that going for you?
Colleen Quinn: Well, it's never good when you have the economy how it is, but MJ has put together a manageable, achievable plan for me and things are tracking well! We've come up with a game plan for success in the long and short-term. So far, we've been successful. Any time I see numbers go up, it's a success.

FREE: How did you meet MJ?
CQ: Through a mutual friend, just around the time I had broken into the medical industry. I knew that I'd have extra money to put away and wanted long-term financial planning. She just happened to be there!

FREE: You recently had a commitment ceremony with your partner, Brandee McArthur – Congrats!
CQ: Thank you!

FREE: Being a same-sex couple, are there special considerations you have to make in terms of your financial planning because the state doesn't recognize your union?
CQ: Well, I have to plan independently because Brandee will be a stay-at-home mom. But, my situation is not different than any other. I'm the one who brings home the money and everything is in the vested interest of my partner and children. We are each other's beneficiaries on all our investments, and once the baby is born, we'll have to file our taxes differently, but otherwise, there are no real financial obstacles we've been faced with yet.

If you ***give 150 percent***, there's nothing more to *expect from yourself*. You're giving it *all you have*, doing the best you can and that's ***all there is***.

FREE: What were your expectations of a financial planner? What were you looking for?
CQ: I wanted someone who knew their business. If one of my clients asked me about my products, they'd expect me to know what I'm talking about; I wanted the same. It was also important to work with someone I could trust. Ultimately, when you're dealing with money, you need to trust the person and know their track record. I wanted an open, two-way street.

FREE: How involved is MJ in your finances? Is it about overall financial planning for you?
CQ: Yes, she's involved in everything from a financial standpoint. I wanted someone who was going to come up with a diverse plan and work with me, and she has.

FREE: So you are a surgical sales rep for Medtronic. What about sales clicks with you?
CQ: It isn't for everyone. You either have that ability to go out and sell or you don't. I think the atmosphere of sales allows me to thrive because I can be independent. I'm held accountable and am on my own. I have a lot of self-discipline and am very competitive. I want to win, want to be the best at what I do. I have a good work ethic, too, and I think when you do the best you can do, with a natural aptitude, you will be successful.

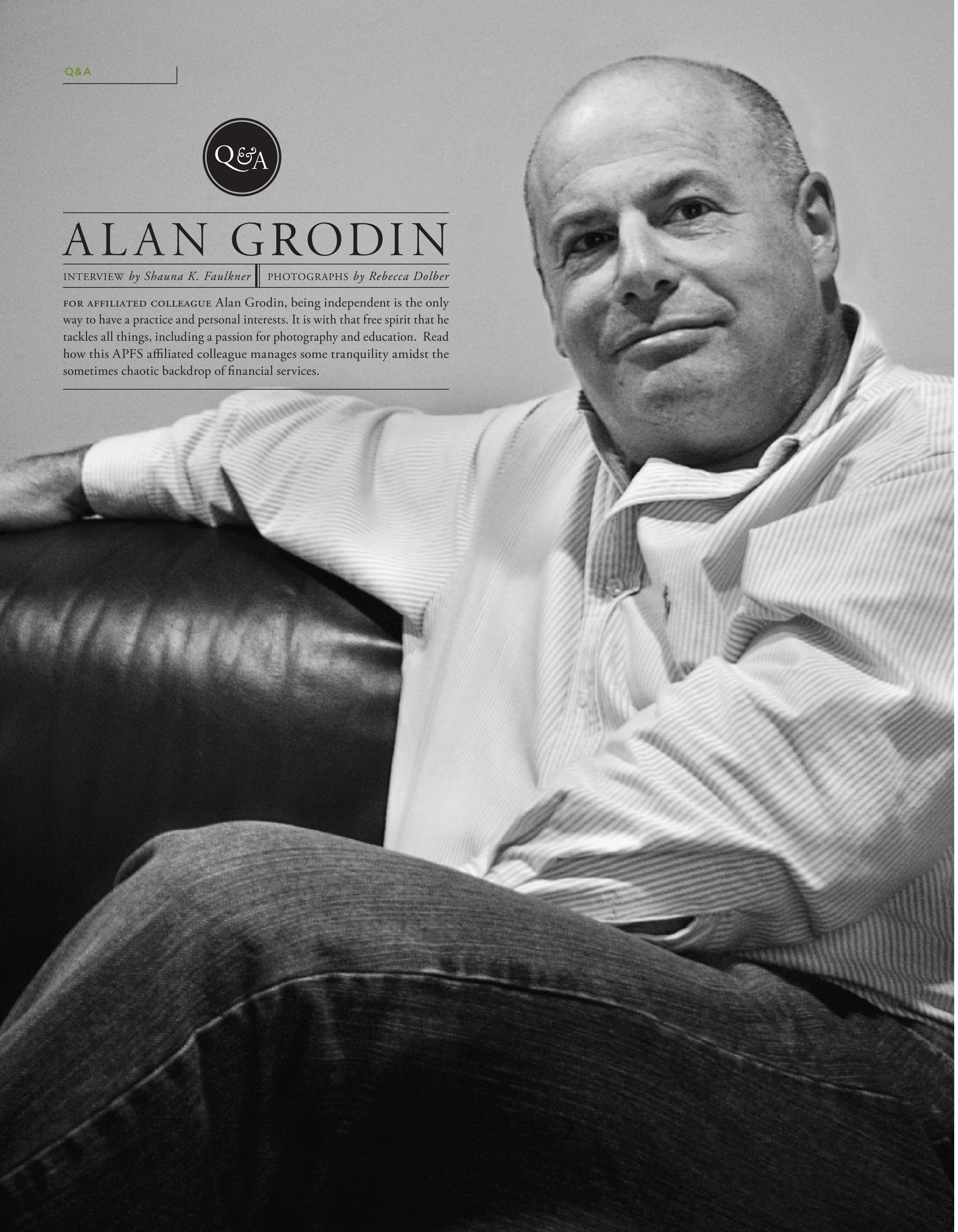
FREE: What is it like working with doctors and seeing the product you're selling be put to work?
CQ: I like working with doctors. They are smart people. That's why they're taking care of us. We do extensive training as well, so you have to be proficient and know what you're doing. During the actual surgeries, our role is to make sure all of the product is there and that it's set up correctly. I like being able to indirectly help patients. They get a lot of relief from these procedures.

FREE: How do you deal with the pressure that comes from your position?
CQ: Pressure makes me thrive, I love pressure. You have to be confident and ready to handle it. If you give 150 percent, there's nothing more to expect from yourself. You're giving it all you have, doing the best you can and that's all there is.

FREE: How do you keep up with all the advancements in your field?
CQ: We're so specific in our field that any type of advancement within the industry of spine, our company is aware of. We are constantly kept up-to-date through education on competitive, new products.

FREE: What was the best piece of advice anyone gave you regarding making a sale?
CQ: You have to stay true to your ethics and morals. By doing that and working hard, you will always be rewarded. Don't do things you know aren't right. I like being able to go to bed at night and sleep well knowing I don't have a guilty conscious.

FREE: What does the future hold for you, personally and professionally?
CQ: I plan to stay and retire in medical device. Whether or not it's spine, I don't know. I completely love what I do. I love sales and working in the medical industry because I love learning and I love medicine. It's so rewarding to have a product that you can bring to a doctor and see the benefits being reaped by the patients. Even though you aren't interacting with the patient directly, they get a lot of relief from what we provide. Personally, building a family and providing them a good life. We want the all-American family and are hoping our country catches up with the times and lets same-sex couples live their lives.



Q&A

ALAN GRODIN

INTERVIEW *by Shauna K. Faulkner* | PHOTOGRAPHS *by Rebecca Dolber*

FOR AFFILIATED COLLEAGUE Alan Grodin, being independent is the only way to have a practice and personal interests. It is with that free spirit that he tackles all things, including a passion for photography and education. Read how this APFS affiliated colleague manages some tranquility amidst the sometimes chaotic backdrop of financial services.

FREE: **How did you get started in this business?**
Alan Grodin: I've been in this business forever, since 1975. Well, I guess it's what you would call the business, since it's evolved so much. I graduated college in 1975 with a major in philosophy and, at that time, the economic conditions were very bad; very similar to what they are today. I was planning on becoming a philosophy professor, but the economy was especially unpleasant for academics. So, I became an insurance agent and sold insurance for 20 years. In 2000 I decided to go independent, and it was at that time that I formed my company, Northern State Financial.

FREE: **What drove you to make such a big switch after focusing on one aspect of the business for 20 years?**
AG: Oh, it was really overdue. I was very unhappy with the business–the products, the company, the people. It was unchanging and I finally just made the decision. Honestly, I probably should have made it five years earlier.

FREE: **Was it a difficult transition to make?**
AG: You know, it's more about the things you're afraid of when you're independent–you have to fund your own pension, you have to get health insurance, you're responsible for everything. So I guess it was more frightening than difficult. I had more fear going into it than anything. But it has worked out very well. It proved to be the right decision for me.

FREE: **Was it through your affiliation with Nathan & Lewis that you came to know APFS CEO Lon T. Dolber?**
AG: No, actually I didn't know Lon at all. What happened was when I joined Nathan & Lewis in 2000, they did some excellent recruiting. I met some great people to work with, about a group of 10, and liked everybody. But then in six months, those people were gone, so what I bought into was ending and changing. I felt I was going back to where I had just come from, to a great extent. That's when I started looking again. However, while I didn't know Lon, the company (APFS) was known. I would talk to colleagues and go to meetings, and people were starting to make the move over to American Portfolios. I sat down with Lon and he spent the whole day going over things with me. I've now been with the company since 2003.

FREE: **What was American Portfolios' biggest draw for you?**
AG: Well, it was mostly about being independent. I was with a small firm once, a kind of branch office, but I just didn't like having somebody over me. I felt like I could be more independent. Also, I have to say that clients are very impressed with the fact that I have the ability to produce videos, which I can do through AP's Studio 454. Being able to create videos has been a great help for me because it's another way for me to stay in touch with my clients; it's not as good as a visit, but at least they get to see me. It's a way for me to stay in touch with them and bring them topics of interest. It's also a great way to introduce myself to a prospect.

FREE: **How would you describe your business mix since going independent?**
AG: I would say most of my clients are business owners, so there's managed money and 401(k)s; those are the two biggest things I do. I manage money for clients and 401(k)s for companies. That probably amounts to about 80 percent of my business. The rest is whatever else is needed. I primarily use third-party asset managers and continue to provide insurance services to my clients, as well.

FREE: **Do you find the current economic conditions challenging since they are similar to the climate you started in?**
AG: It has been difficult; I think what everyone experienced in March of [last] year was just unthinkable. You have thoughts that things can go down, but you never think that it could happen as dramatically as it did. It caused moments for thought, re-evaluation of strategies and forced you to look at different possibilities. It has definitely been a challenge.

> There are clients that look at *investments as entertainment,* and I'm not an entertainer. I want to know that what I do is helping to set someone up for retirement, or *keeping their family secure.*

FREE: **Is it more problematic when dealing with individuals' funds for retirement?**
AG: Oh, it can be stressful. What's most difficult about that aspect is that, when we were in the "up" years, it was always a happy conversation. Now, even if the person is not angry with me, it's a difficult conversation because people are concerned. I try to keep a logical perspective, look at what is going on and broach the topic of extending retirement, if needed.

FREE: **Does the personality of a client play a major role in how you approach the situation?**
AG: It's just important, from the outset, to make sure my clients are a good fit, and by that I mean that they are comfortable with me. I really try to become embedded in their lives, so it's not just a business relationship. There are clients that look at investments as entertainment, and I'm not an entertainer. I want to know that what I do is helping to set someone up for retirement, or keeping their family secure. I have been really lucky in that, throughout the years, I have had a number of children of clients that have come on board.

FREE: **Speaking of retirement, is that something you look forward to?**
AG: You know, I see things continuing as they are for quite awhile; I just don't ever see myself retiring—maybe slowing down someday, but to leave altogether? I really don't think I ever will. I think my goal would be to work about 100 days a year. I would be involved, but it would be flexible. I currently do about 200 days a year, so if I could cut that in half, that would be ideal. I have a lot of interests where I feel I could fill my time if I were to retire, but I just have no thoughts about leaving this job.

FREE: **What are some of those interests?**
AG: Photography is a big one; I love taking the time to go out and find those shots that most interest me. I've taken a couple of courses on photography and, according to the professor, everyone develops their own style. I guess mine is "quirky things," things that don't look like what they are. I'm also an avid reader and have my own library, which is something I always wanted. My taste in books is very, very eclectic: I'm very interested in history, philosophy, literature and religion. I also collect books on business, sports and music. There's a little bit of everything. I have a strong connection to academics and feel that the process of learning, in all stages of life, can only be considered a benefit, both personally and professionally. I also take the time to practice yoga and meditation, which is a very useful tool, especially with this job.

FREE: **Do you feel it helps to get away from the business and pursue such hobbies?**
AG: Certainly everyone has to make time for themselves and what they love. I schedule time to pursue my interests. The best way to put it is I set appointments with myself, so that I can have that time to focus on taking pictures. When I'm taking pictures, I'm totally taking pictures; I don't think about anything else, and that's relaxing. But even more than getting away from the job, for me, these things are my passion. I enjoy doing them.

FREE: **Aside from semi-retirement, where do you see yourself and your business in 10 years?**
AG: I see the business being a little bigger, but not by much. I'm looking to increase assets under management, but not necessarily increase clients by that much. You know, I'm pretty comfortable now and hope to be just as comfortable, and continue to enjoy myself, in 10 years.

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ARC-INSIGHT

AN ANALYTICAL TOOL FOR ALTERNATIVE INVESTMENTS

BY *Melissa Grappone*

WHO: ARC-Insight

WHAT: ARC-Insight is an easy-to-use, Web-based tool that enables American Portfolios' representatives to access the firm's database of alternative investment sponsors and programs. Among the many benefits that ARC-Insight will provide you are:

- A list of approved alternative investment products
- Access to company, product and executive summaries of all approved alternatives
- Ability to search and compare products that can meet your specific criteria
- Immediate access to offering documents, supplements, brochures, marketing materials and SEC filings
- Automatic compliance logs of self-examinations for reps and OSJs[1]
- A listing of sponsored events and activities in your area

WHERE: Accessing ARC-Insight is simple. After logging into the American Portfolios Broker Web site, click on the Products tab from the broker home page. Then click on the ARC-Insight logo located in the middle pane, below the news scroll. You can also access ARC-Insight from the BPM and Transaction Blotters in STARS.

WHY: Alternative investment products and programs are complex and varied; they require a high degree of analysis before making recommendations to a client. ARC-Insight is a robust tool that simplifies the examination and selection process by providing detailed information, offering an extensive search capability and performing a comparative analysis, based on specific filters, against a universe of approved and pending approval offerings by the firm.[2]

WHEN: ARC-Insight is available to affiliated colleagues of the firm after receiving their APFS logins and passwords.

COST: ARC-Insight is absolutely free. All costs are absorbed by the firm.

GETTING STARTED:

ARC-Insight has several components to it. When reading this section and the next, "Using the Program," you may want to open the program and follow along.

If you are going into ARC-Insight for the first time, you will be asked to update your profile information, after which time you will be brought to the main page of the program. You will see a top line tool bar of the following pull down menu items in which to choose from:

- Education Modules
- Edit Profile
- Compliance Log
- Sponsors and Programs
- Support
- My Favorite Resources
- Logout

Directly below the top line tool bar is an area that will display your favorite ARC resources. These have been default-set to show specific menu items from **Sponsors and Programs**, which can be changed by selecting **My Favorite Resources** from the top line tool bar.

Displayed below **My Favorite ARC Resources** will be the information for whichever menu item or sub-menu item you have selected from either the top line tool bar or from within **My Favorite Resources**. The default menu item display view will always be **Approved Alternative Investment Programs** from **Sponsors and Programs**.

USING THE PROGRAM:

The primary functions of ARC-Insight, as it relates to examining, analyzing, understanding and comparing different alternative investment programs, are going to be found in the Sponsors and Programs top line tool bar menu selection and will be the focus of this section. All other menu items—as previously summarized—emphasize alternative investment education (optional viewing at this time, but will soon become mandatory sometime in the third quarter), updating personal information and settings and additional resources for help in understanding ARC-Insight.

From the top line tool bar select Sponsors and Programs and then select from the list of the following sub-menu items, which are briefly explained below:

SIGNED SELLING AGREEMENTS

Provides a listing of selling agreements that are current and are subscribers of ARC-Insight, selling agreements that are current that are not subscribers of ARC-Insight and selling agreements that are pending review.

APPROVED ALTERNATIVE INVESTMENT PROGRAMS

Provides a listing of approved alternative investment offerings, which are default-sorted by Investment Sector and then by Investment Structure. Re-sorting and filtering functionality is available in this sub-menu item should you want to view the approved alternative investment programs in another way.

SEARCH PROGRAMS

Allows you to search for alternative investment programs based on Investor Type, Sector and Structure; Sponsor Subscription Status and Activation Status; Property, Asset Sectors and Program; and, finally, Sponsor Name and Program Objective.

SEARCH COMPANIES

This allows you to search for alternative investment companies by Company Name or Core Business; Program Offering, Structure or Investment Types; Investment Sectors Offered; and Program Legal or Tax Investment Structure.

CREATE COMPARATIVE REPORTS

This function allows you to look at and compare a number of alternative investment programs based on specific criteria that you select. There are three steps.

- Step 1: Select search criteria based on Investment Sector, Investment Type, Investment Structure, Name/Offering Name, Program Objective and Active Status. Select Next.
- Step 2: Select from one of two summary types: Program Summary Comparative Report, which is generally used for programs with an offering period of more than six months, or Standard Program Structure Summary Comparative Report, which is generally used for programs with an offering period of less than six months. Select Continue.
- Step 3: Select from a list of information in which to view and compare by. If you choose the Program Summary Comparative Report in Step 2, 10 criteria from nine information categories, or 50 information items in total, can be selected. If you choose the Standard Program Structure Summary Comparative Report in Step 2, six specific information items from a list of 28 total items can be selected. After selecting the information items, click on Show Programs from Initial Search. Your results can be exported to an Excel spreadsheet by clicking on the Export to Excel button at the top of the search summary.

GENERIC CLIENT EDUCATION

A new ARC-Insight feature designed to encourage sponsors to contribute generic training and educational materials for the client.

DOWNLOAD OFFERING DOCUMENTS

Sorted by Sponsor Name, this menu item provides a summary of any offering documents provided by the sponsor, which can be directly downloaded from the summary by clicking into the specific document item.

REQUEST OFFERING MATERIALS

Allows you to submit a request to ARC-Insight for offering materials from alternative investment sponsors with which American Portfolios has a selling agreement.

SEND SPONSOR INQUIRY

Allows you to submit inquiries to any sponsor for which American Portfolios has a selling agreement.

CURRENT SPONSOR UPDATES

Provides a listing of sponsors in alphabetical order, indicating whether current updates have been provided.

APPROVED AND DUE DILIGENCE REVIEW STATUS

Sorted by Investment Type, then Investment Structure, this sub-menu item provides a summary of the status of program offerings that are in review. Status will state Preliminary Feasibility Review, Due Diligence Review in Process or Declined.

INDICATION OF INTEREST REQUESTS LOG

Provides a summary of any requests for indications of interest. They can be filtered by Program Summary, Standard Program Structure Summary or by All [programs]. Requests for indications of interest can also be filtered by date range.

SEARCH SPONSOR ASSOCIATES

Can locate the names of contacts for any sponsor.

SPONSOR EVENTS CALENDAR

A place for sponsors to include any of their upcoming events.

DUE DILIGENCE STATUS

Shows the outcome of any offerings that have undergone the due diligence process. They will either show up as Declined or Approved.

FOR MORE INFORMATION, CONTACT:

APFS Due Diligence Analyst and Product Manager Jim Goedtke at 800.889.3914, ext. 380, or at jgoedtke@americanportfolios.com

Or

ARC-Insight Business Development/Sales/Marketing Representative Sherri Cooke at scooke@arc-insight.com

[1] ARC-Insight provides self-examinations on our products to insure that APFS reps have a detailed understanding of the product and sponsor. During our introduction period we strongly encourage reps to take the examinations; the monitoring process will be left to the supervisors. During the third quarter of 2010, we intend on making the examinations mandatory. We expect that these exams will provide CE credits for firm element and professional designations.

[2] The use of ARC-Insight has been combined into our existing policies and procedures for both DPP/REIT and Private Placements, which can be found in the Compliance section of the APFS Broker Web site.

Genworth Financial

BUILDING VALUE:

How to Turn Your Advisory Business into an Asset for Retirement

By Mark Schoenbeck, CFP, Chief Marketing Officer, Genworth Financial Wealth Management, Inc.

MY BROTHER IS a dentist, not a financial advisor, but I think the evolution of his practice is an instructive example for any business owner looking to increase the value of his business. When he opened his office 15 years ago, he was doing what he loved and what he had trained to do—being a great dentist.

He was a sole proprietor, however. That meant if he did not show up at his office and work on his clients' teeth, he did not make any money. Even more important were the long-term considerations. While my brother was enjoying the financial rewards of being a successful dentist, what was the value of the business he was building? If he decided to retire as a sole proprietor, what did he have to sell to another dentist? His assets were his location, his office equipment and a list of patients who may or may not be loyal to whomever bought the practice.

Today, his business is very different. He has three dentists working for him along with eight hygienists. They generate revenue independent of my brother's efforts. While he certainly makes more money when he works with patients himself, he can now take time off and still have an income. That's good news for him and his family, but better news for his eventual retirement. As a sole proprietor, my brother had what was effectively a job; he had to show up to get paid. Now he has a business, something with ongoing, sustainable value apart from his own efforts. His business today is a transferable asset.

Ask yourself if the same can be said of your advisory business. Here is a quick test: If you walked away from your business for the next 60 days, would it continue to operate and generate income without you? If so, your business may have transferability. On the other hand, if the wheels would fly off and your income would grind to a halt…well, your business may not be ready to support your retirement dreams quite yet.

The key to realizing the full potential value of your business is its transferability. There are varying degrees of transferability. Consider, for example, a typical burger franchise. Once it is up and running, it matters very little who the owner is. Systems and processes are in place for everything from ordering the food, cooking it, ringing up the sale and handing the burgers over to the customers. As Michael E. Gerber in his classic book "The E-Myth" described it, "A burger franchise can be operated by people with the lowest possible level of skill needed to do the job." It is not dependent on an unending supply of highly-talented entrepreneurs to continue functioning.

Clearly, however, an advisory business has little in common with a burger franchise. It requires talent and intelligence (and motivation) at every level to operate successfully. Nonetheless, the important lesson to keep in mind is that the more you can make your operation independent of your presence, the greater your business's potential value and transferability. Here are three broad steps to consider for increasing transferability, and therefore the value of your business.

Outsourcing: As part of Genworth Financial Wealth Management's pioneering Mastery Program®, we spend considerable time exploring the Seven Essential Disciplines of 1QAs. (1QA stands for first quartile advisors, those advisors in the top 25 percent of their peer group in terms of net income.) One of the most eye-opening statistics we discuss is that the most successful advisors in our industry spend 60 percent or more of their time working with clients and prospects. How do they manage to spend so much more time than their colleagues with clients and prospects? The answer: by outsourcing everything outside their core competencies.

What do you do best? And what brings the most revenue and value into your business? Your clients and prospects come to you for guidance, advice and financial problem-solving. Working with them, understanding their needs and goals, and explaining the steps they need to take to reach their dreams are the primary value you bring. Every activity outside of working with clients and prospects has the potential to distract you from building value. Prime candidates for outsourcing include investment management and account administration.

Creating systems and procedures: When you go to your local burger franchise, you know what to expect. You typically get a hamburger, fries and a shake of consistent quality, every time. Do your clients know what to expect from you? In other words, do you have processes and systems in place that consistently govern client communications, reporting, the level of personal attention and other services your clients receive?

For many advisors, the communication plan is to mail out statements and answer the phone when it rings. They spend little time considering the client experience they want to deliver or creating the processes to support it. In Mastery, we explore the need to develop an ideal client profile and to conduct a client segmentation analysis. By understanding who your best clients are, you can also understand the level of "wow" experience you can afford to deliver. You can also create varying service tiers based on a client's profitability for your firm – and you can cut loose clients that detract from your bottom line.

By creating processes and educating your staff on their purpose, you can begin to replicate a "wow" experience that no longer requires your constant management.

Evaluate your financial model: Most of the advisors we work with understand the benefits of a fee-based, wealth management business model. Fee-based wealth management not only generates reoccurring income, it also provides access to more sophisticated investment solutions than most transaction-based or lower-cost solutions. Ask yourself how fully you have embraced the fee-based model. Do you have a consultative, wealth management relationship with most of your clients? Or are the majority invested in mutual funds or single-provider solutions?

Increasing your commitment to fee-based wealth management will not only build value and increase revenue, it is quite likely to better meet your clients' needs. Wealth management is more intensive than simply placing client assets into a single manager's mutual fund family. Through a genuine wealth management model, you can craft more customized solutions, mixing managers and asset allocation approaches to meet individual risk and reward objectives. Fully embracing the model should be a win-win for your business and your clients.

It may seem odd to discuss a dentist's office or a burger franchise in an article about growing the value of your advisory business. But looking at your business through the lens of how other businesses build value reminds you to treat your business as a business. Once again taking our cue from Michael E. Gerber, you gain the perspective necessary to work on your business rather than simply in your business.

Ultimately, whatever you can do to create repeatable systems and generate reoccurring revenue gives your business transferable value above and beyond your talent as an advisor. That transferable value helps transform your business into an asset that can help secure your retirement, even as you work to secure the retirements of your clients.

AXA EQUITABLE

BENEFICIARY DREAD

WHY CHOOSING THE RIGHT IRA BENEFICIARY IS MORE IMPORTANT THAN YOU THINK

By Stefanie Nesi, J.D., CFP®, Assistant Vice President, AXA Advanced Markets

If you're like me, making everyday decisions can be difficult. Maybe it has to do with the barrage of information that is constantly whipping around us: stocks are down, interest rates are low, commodity prices are up and the dollar wobbles. What is one to do?

Maybe the scientists are right and too much cell phone use has killed a large number of our much needed brain cells. Now, simply determining whether to stop or go at a yellow light can seem like a life-changing decision. Well, if making everyday choices is challenging, making "big" decisions can be terrifying. For your clients one of those big decisions is, "Whom should I name as the beneficiary of my IRA?" Unfortunately, the answer is not always easy and there are a number of factors one should consider.

The financial security of the surviving spouse is clearly a major factor in the decision process. The spouse is probably the most logical and the most commonly named beneficiary. Not only does this create a harmonious family situation, it generally makes sense from a financial planning perspective.

First, if the spouse is more than 10 years younger than the account owner, a joint life expectancy table (rather than the uniform table) can be used to calculate the Required Minimum Distributions (RMDs). This will decrease the amount of the RMD on an annual basis, which is helpful for those families who don't need to take much (if any) income from the IRA. However, this is the only situation in which the beneficiary designation will affect the annual RMDs during the IRA account owner's life.

Second, the surviving spouse has the most flexibility regarding post-death distributions from an IRA. The spouse is the only beneficiary who has the ability to roll over an inherited IRA into an IRA titled in his or her own name. This allows the surviving spouse to treat the IRA as his or her own, meaning that: 1) the spouse can name new beneficiaries; 2) lifetime RMDs won't have to begin until the spouse turns age 70½; and 3) lifetime RMDs will be calculated based on the surviving spouse's life expectancy, rather than the life expectancy of the original account owner. If the surviving spouse is younger than the original account owner, this can prolong the period of tax deferral.

Let's not forget the estate tax advantages of naming your spouse as the primary beneficiary of your IRA. The unlimited marital deduction, available under the current law, will come into play and protect the IRA assets from estate taxes. At a minimum, this is true on the death of the first spouse (i.e., assuming no other estate planning is done).

There are times when naming a spouse as beneficiary is not only impractical, but also impossible. For example, not all of our clients are married. Some of our more affluent clients who are married would prefer to pass the IRA down to their children or grandchildren, particularly if the surviving spouse has accumulated wealth outside of the IRA. A younger beneficiary will have a longer life expectancy and therefore smaller post-death RMDs, prolonging the period of tax-deferred growth, which is typically a good thing. Also, if an IRA is a client's largest asset, and it passes via the beneficiary designation directly to the spouse, your client may not be maximizing the federal estate tax exemption allowance. This could cause a larger estate tax bill at the surviving spouse's passing. Finally, because the surviving spouse has the ability to roll over the IRA into their own name, the decedent has no control over the ultimate distribution of those assets. These are just some of the reasons our clients may want to explore other options for the beneficiary of their IRA.

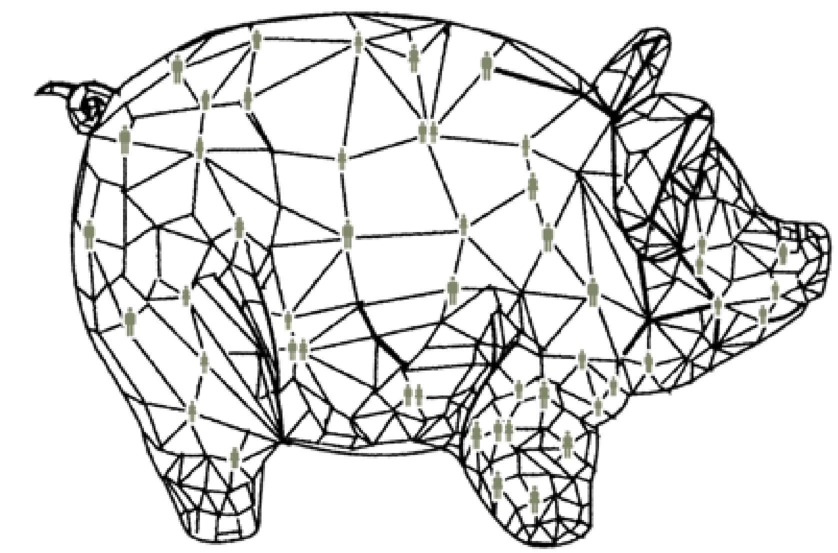
If the surviving spouse does not need the IRA assets, perhaps they should pass directly to the children. In this situation, you would want to make sure that each child is named individually, rather than as a class or group (e.g., my children in equal shares). Be sure to check with the IRA issuer as they may divide the assets equally among multiple beneficiary designations unless otherwise specified. The advantage is that post-death RMDs will be based on the child's life expectancy, again prolonging tax-deferred growth. Further, the children may be in a lower income tax bracket than the surviving spouse, thereby reducing the overall tax bill. However, before naming a child as the primary beneficiary of the IRA, one must be certain that the surviving spouse is adequately provided for during his or her lifetime. Also, the assets that pass to the children will not be eligible for the unlimited marital deduction and will eat into the federal estate tax exemption allowance, thereby reducing the amount of the credit shelter trust in many instances. This doesn't mean that it won't work or that it's not a good strategy; it simply means that the effect on the overall estate plan needs to be considered. And, make sure that if the children are named as beneficiaries, that they know that they must start the post-death required minimum distributions by Dec. 31 of the following calendar year of your client's death. If they miss that date, they may lose the ability to take over their life expectancy period.

What about a trust? Clients frequently ask me if they should name their revocable trust as the beneficiary of their IRA, and I give them the trustworthy answer we've all come to rely on, which is: "It depends." The rules get somewhat complicated here, but if a trust meets certain requirements, then the beneficiaries of the trust may be "designated" beneficiaries of the IRA under the IRS distribution rules. Those four requirements are:

- The trust beneficiaries must be clearly identifiable as designated beneficiaries as of Sept. 30 of the year following the account owner's death.
- The trust must be valid under state law.
- The trust must be irrevocable (or became irrevocable at the decedent's death).
- The trust agreement and a list of all trust beneficiaries must be given to the IRA custodian/plan administrator by Oct. 31 of the year following the decedent's death.

The designated beneficiary status is important because only a designated beneficiary can use the life expectancy payout method for post-death distributions. If, for some reason, the trust failed to meet one of the requirements listed above, the trust could not be a "designated beneficiary." As per the IRS, only humans can be designated beneficiaries. Accordingly, post-death distributions would need to be calculated based on the deceased account owner's life expectancy, or within five years of the IRA owner's death. Another caveat: If the trust beneficiaries are multiple people (three adult children, for example), generally the RMD will be calculated based on the life expectancy of the oldest trust beneficiary. The IRS rules specifically state that trust beneficiaries may not use "separate account" rules that might otherwise allow the beneficiaries to use their own life expectancy in calculating RMDs. There may be ways to work around the separate account share rules for trust beneficiaries, but it certainly adds to the complexity of one's estate plan.

By naming a trust as beneficiary, the IRA owner can exert some control over the IRA assets after his or her passing. This can be especially important when the IRA owner has young children or blended family situations. We often see a marital QTIP trust named as the IRA beneficiary. This allows the surviving spouse access to the IRA funds to maintain his or her lifestyle, but at the spouse's passing, the remaining trust assets/IRA will pass according to the original IRA owner's wishes. Because the income tax brackets for trusts are more compressed than the brackets for individuals, a tax professional should be consulted before naming a marital QTIP trust as the IRA beneficiary.



Finally, it is important to remember that the IRA distribution and beneficiary rules apply regardless of what assets are held in the account. One question that frequently arises is, "What happens when an annuity is an asset of the IRA?" Advisors can imagine the nightmare that might occur if an annuity contract listed one beneficiary but the IRA that held the annuity contract listed another. The good news is that situation is highly improbable. When an annuity contract is held in a custodial IRA, the beneficiary on the annuity application is typically the IRA account. This means the annuity proceeds will pass according to the IRA account. Contract continuation features have made it significantly easier for beneficiaries who inherit an IRA containing an annuity to preserve the contract benefits. Remember, however, the need to make post-death distributions if an annuity is in an IRA account could reduce the annuity contract benefits if no other assets are available to fund the distribution.

There are a number of issues that one needs to consider when determining the beneficiary of an IRA. First and foremost, beneficiary designations must be reviewed with the client. Regardless of what they say, make sure you see documentation. This will help avoid unintended mistakes with potentially severe consequences. Also, the specific family situation should be assessed and advice should be given on an individual basis. Unfortunately there are no black or white, right or wrong, answers—just what works for a particular client or family. The worst decision here would be not making a decision, and our clients cannot afford to be paralyzed by this choice. Naming an IRA beneficiary has significant cash flow, income tax and estate tax ramifications. The good news is that there is a lot of information available to educate your clients and make the decision-making process easier. So cue the financial professional.

Representatives of AXA Distributors, LLC do not give legal or tax advice. Your clients should contact their attorney or tax advisor regarding these topics.

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STATE OF THE FIRM

Aligning our Interests

by Lon T. Dolber, CEO

I PRESENT YOU with the first-quarter 2010 performance results for American Portfolios. 2010 first-quarter revenues and fees of $19,254,115 increased significantly by 47 percent from first-quarter gross revenues and fees received in 2009 of $13,138,590. The last significant increase in revenues between year-to-year quarters occurred in 2004—a 57 percent increase from the fourth quarter in 2003 to the fourth quarter in 2004. Assets under management for the firm were equally impressive, with a 59 percent increase from the first quarter of 2009 and a 10 percent increase from the previous quarter. A historical analysis of the quarterly performance results shows that 2010 first-quarter revenue figures were almost $9 million more than the total gross revenues received in the firm's first full year in business ($10.3 million in 2002) and approximately $2.8 million more in gross revenues received for all of 2004.

We are moving again in an upward trajectory that is reflective of the growth we enjoyed in years past. This is very reassuring, yet the analysis of growth performance must go beyond the numbers.

The pendulum regarding corporate governance and behavior in the United States is beginning to swing. CEOs are realizing that by aligning the objectives and the interests of employees, customers and suppliers, instead of just shareholders alone, they are creating a momentum that fuels everyone to run at top speed.

It is clear that without the capital shareholders bring to the table, the growth of most companies would be severely hindered or slowed. However, reliance on market efficiencies alone has not proven the panacea it once was and the notion that it alone will provide an accurate measure of corporate value is now being questioned. The economic turmoil of the past decade has not necessarily served the interests of shareholders or the profitability and productivity of the companies they've invested in.

In the end, customers will always care more about the quality of the goods and services they receive than their price alone. It is our belief that shareholder value may be more significantly affected by a corporate management that takes into consideration the well-being of its employees and its customers, the quality of goods and services it provides and the social footprint it leaves in its community.

Jeffrey Pfeffer, a professor at Stanford University's Graduate School of Business in California, was quoted in the Harvard Review as saying, "In the end, shareholder returns are just an outcome of management practices that respect all constituencies. Maybe this time CEOs will get it. If they don't, we'll be traveling back to the future once more, with yet more rounds of scandal and recession."

With the onset of the third quarter, which we will be approaching at the publication of this issue of *FREE*, we will continue to strive towards aligning the interests of shareholders, employees and customers alike and choose not to travel back to the future, but instead into a new age where Wall Street mishaps are events of the past.

Lon T. Dolber
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2010 1Q QUARTERLY REVIEW

2009 Quarterly Review

Jan. 1 – March 31, 2010

The first-quarter 2010 review for American Portfolios is shown on pages 37 through 42. This review has also been posted to the American Portfolios Broker Web site in Rep Services.

Corporate Overview:
American Portfolios has 71 full-time employees supporting 697 registered representatives, which includes 64 registered assistants and 25 registered employees as of March 31, 2010.

Financial Overview:
First-quarter gross commissions and fees of $19.3 million were higher than the first quarter of 2009, a 46 percent increase of $6.1 million from $13.2 million. Gross revenues for the firm have increased over 12 times since the fourth quarter of 2001 ($1.6 million in 4Q 2001 to $19.3 million in 1Q 2010). In an across-the-board analysis of products and services offered through American Portfolios, alternative investments, variable annuities and mutual funds had the highest increases of 88 percent, 75 percent and 65 percent, respectively, from the first quarter in 2009 (Table 1). Assets under management increased significantly by 59 percent from $7.3 billion in the first quarter of 2009 to $11.6 billion in the first quarter of 2010. (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
2010 1Q	$2,147,290	$3,629,271	$5,950,199	$151,918	$625,206	$4,095,454	$1,719,005	$220,352
Change from 1Q 2009	+65 %	+43%	+75%	-66 %	-6%	+48%	+48%	+88%

2010 1Q QUARTERLY REVIEW

Top 5

Top Five Fund Families by Commissions for the First Quarter of 2010

1. $ 1,510,639 American Funds
2. $ 1,077,153 Oppenheimer Funds
3. $ 620,550 Franklin-Templeton Funds
4. $ 225,934 Fidelity Funds
5. $ 143,768 Eaton Vance Funds

Top Five Variable Annuity Vendors by Commissions for the First Quarter of 2010

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 March 31, 2010

1. $ 1,493,362,333 American Funds
2. $ 1,045,696,757 Oppenheimer Funds
3. $ 680,775,665 Franklin Templeton Funds
4. $ 422,095,030 Nationwide VA
5. $ 368,395,547 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	
2010 1Q	$5,805,897,177	$5,832,899,921	$11,638,797,098	
+/- over 2009 1Q	+56%	+61%	+59%	

Representative Overview

Sept. 10, 2001 – Mar. 31, 2010

Between Sept. 10, 2001 and March 31, 2010, 908 new representatives have joined the firm while 435 representatives have been encouraged to leave. During the same period, assets under management have increased by $10.4 billion (Q4 2001 1,232,657,974 – Q1 2010 $11,638,797,098).

Table 3

First-Quarter 2010 New Colleagues

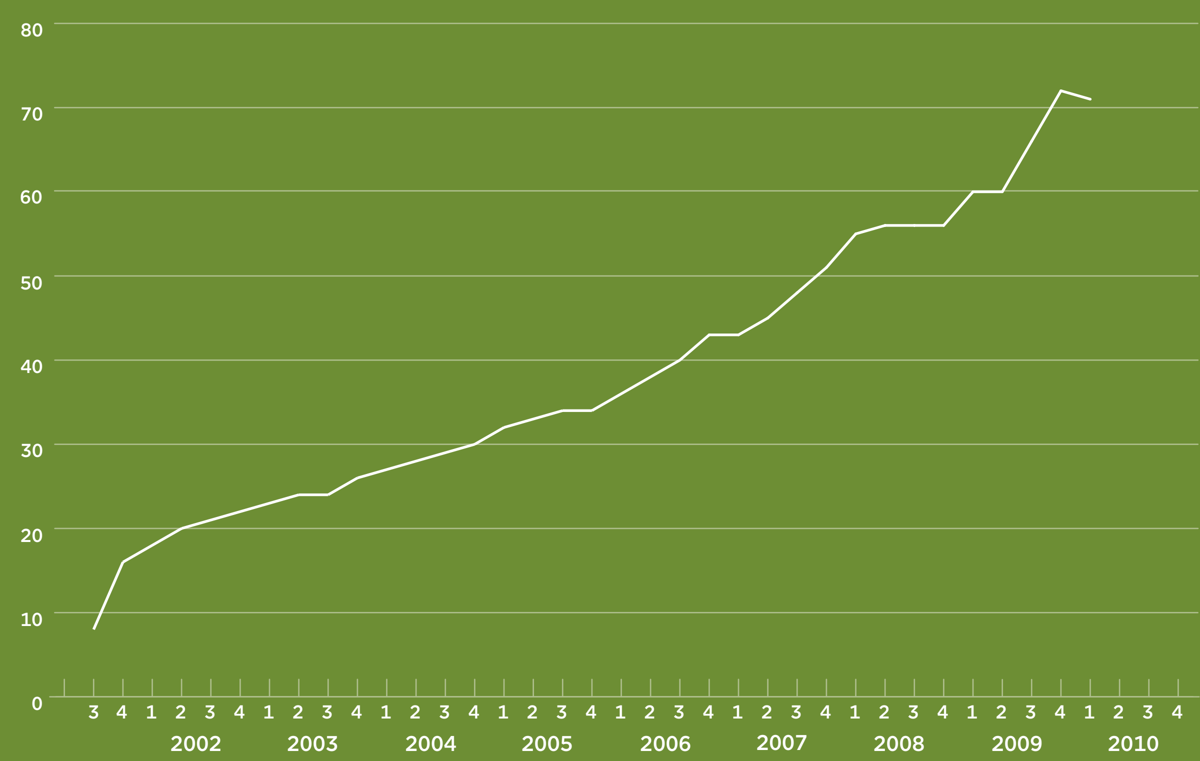
First Name	Last Name	City	State	Supervising Principal	Start Date	Status
Richard	Marotzke	Frankenmuth	MI	Jerry Chesebro	1/5/2010	Account Executive
Mark	VanVoorhees	Frankenmuth	MI	Jerry Chesebro	1/5/2010	Account Executive
Anthony	Donnadio	Holbrook	NY	Lon Dolber	1/5/2010	Registered Assistant
Jacob	Ruggles	Whitehall	PA	Ronald Chakler	1/8/2010	Account Executive
Richard	Grucz	Allen Park	MI	David McMillin	1/11/2010	Account Executive
Palmer	Klaas	Rockford	IL	Brian Yarch	1/13/2010	Account Executive
Kathleen	Ullrich	Rockford	IL	Brian Yarch	1/13/2010	Registered Assistant
Frank	Puig	Whitestone	NY	Scott Nayer	1/13/2010	Account Executive
James	Pihaly	Rockford	IL	Brian Yarch	1/19/2010	Account Executive
Bari	Bell	Traverse City	MI	David McMillin	1/19/2010	Account Executive
Stephen	Heidenreich	Kentwood	MI	Donald Carlson	1/21/2010	Account Executive
Eric	Gilbert	Wheaton	IL	Theresa Hannon	1/25/2010	Registered Assistant
Theresa	Hannon	Wheaton	IL	Brian Yarch	1/25/2010	Supervising Principal
Nicholas	Efthemis	Snyder	NY	David Bangert	1/29/2010	Account Executive
Charles	Hanny	Snyder	NY	David Bangert	1/29/2010	Account Executive
Sally	Barrella	Huntington	NY	Bradford Goldner	2/2/2010	Account Executive
Heather	Christmann	Kentwood	MI	Brian Yarch	2/2/2010	Registered Assistant
Martin	Proshek	Maumee	OH	Michael Lytle	2/2/2010	Account Executive
Michael	Parise	Marlton	NJ	Willam Brown	2/4/2010	Registered Assistant
Adam	Heinlein	Dewitt	MI	Brian Yarch	2/8/2010	Account Executive
James	Zabatta	Melville	NY	Edward Levine	2/8/2010	Account Executive
Joseph	Taunt	Kentwood	MI	Mauro Daddato	2/12/2010	Supervising Principal
Brian	Yarch	Kentwood	MI	Joseph Taunt	2/12/2010	Supervising Principal
Gus	Catanzaro	Holbrook	NY	Mauro Daddato	2/16/2010	Supervising Principal
Lawrence	Passaretti	Holbrook	NY	Mauro Daddato	2/16/2010	Account Executive
Craig	Coughlin	Kentwood	MI	Donald Carlson	2/16/2010	Account Executive
Kirk	Gent	Kentwood	MI	Jerry Chesebro	2/16/2010	Account Executive
Jerry	Chesebro	Kentwood	MI	Joseph Taunt	2/16/2010	Supervising Principal
Paul	Damon	Grand Rapids	MI	Brian Yarch	2/18/2010	Supervising Principal
Dennis	Dekok	Grand Rapids	MI	Paul Damon	2/18/2010	Account Executive
Audrey	Dirksen	Grand Rapids	MI	Paul Damon	2/18/2010	Registered Assistant
Vinh	Ma	Grand Rapids	MI	Paul Damon	2/18/2010	Registered Assistant
Susan	Perry	Grand Rapids	MI	Paul Damon	2/18/2010	Registered Assistant
Brian	Blodgett	Kentwood	MI	Donald Carlson	2/18/2010	Account Executive
Kyle	Henson	Swartz Creek	MI	Donald Carlson	2/18/2010	Account Executive
Thomas	Derwin	Swartz Creek	MI	Donald Carlson	2/18/2010	Account Executive
Christopher	Moore	Bethlehem	PA	Stan Alterman	2/24/2010	Account Executive
Mary	Ellsworth	Glens Falls	NY	Michael Brown	2/24/2010	Registered Assistant
Christopher	Wilks	Kentwood	MI	Brian Yarch	2/24/2010	Account Executive
Robert	Peltz	Rogers City	MI	Brian Yarch	2/25/2010	Account Executive
Michael	Ruger	East Greenbush	NY	Edward Levine	3/1/2010	Account Executive
Richard	Lewis	Charlotte	NC	Christi Johnson	3/4/2010	Account Executive
Terrence	Herr	Chicago	IL	Brian Yarch	3/5/2010	Supervising Principal
Mary Louise	Brunski	Mount Laurel	NJ	Stan Alterman	3/5/2010	Registered Assistant

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 March 31, 2010 the broker/dealer had 697 registered representatives, which included 64 registered assistants and 25 registered employees working from 98 Offices of Supervisory Jurisdiction, as well as 365 branch office locations. A total of 65 new associates have joined the firm while 15 affiliated representatives were encouraged to leave in the first-quarter of 2010. As of March 31, 2010 there were 608 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.

- Allianz Global Investors
- American Funds
- AR Capital
- AXA Equitable
- Crump Life Insurance Services
- Curian Capital
- DWS Investments
- Fig Marketing
- Franklin Templeton Investments — Franklin · Templeton · Mutual Series
- Grubb & Ellis Realty Investors
- Genworth Financial
- Independent Portfolio Consultants
- Integrity Life Insurance Company — A member of Western & Southern Financial Group
- Jackson National Life Insurance Company
- John Hancock — the future is yours
- MetLife
- Nationwide On Your Side — Investments Retirement Insurance
- Pacific Life
- Penn Mutual — A better way of life
- Pershing — An affiliate of The Bank of New York
- Prudential
- Potomac Fund Management
- Putnam Investments
- OppenheimerFunds — The Right Way to Invest
- TD Ameritrade
- Wells Real Estate Funds — Your future ... Our passion
- W. P. Carey

- **Lon T. Dolber** — *CEO, CIO American Portfolios Holdings, Inc.*
  - **Mary Ann Collins** — *Corporate Executive Assistant*
    - **Danielle Calcara**
    - **Mary Ann Rosolino**
  - **Ethel Valentino** — *Personal Executive Assistant*
  - **Robert Dolber** — *CTO*
    - **Robert Archard** — *Network Administrator*
    - **Andrew Dorfman** — *Director of Software Engineering & Data Architecture*
    - **Sha-Shawn Montgomery** — *Business Analyst*
    - **John Rodriguez** — *Systems Analyst*
  - **Lisa DiBella** — *Director of Human Resources*
  - **Anne Antunovich** — *Director of Finance*
    - **Russell Kerstein** — *Commissions Manager*
    - **Michelle Schwab** — *Finance Supervisor*
      - **Erin Currenti**
      - **Kristen Lee**
      - **Mary LoBue**
  - **Melissa Grappone** — *Director of Corporate Communications*
    - **Shauna Faulkner** — *Corporate Communications Associate*
    - **Craig Poore** — *Manager of Media Production & Studio Operations*
  - **Tom Wirtshafter** — *President APFS & APA*
    - **Mauro D'addato** — *InHouse Supervisory Principal*
    - **Jon Michaels** — *Surveillance Analyst*
    - **Dean Bruno** — *COO*
      - **Marc Johnson** — *Senior Trader*
        - **Joesph DeBono**
        - **Michael Boccio**
      - **Phillip Bredow** — *Operations Manager*
        - **David Blum**
        - **Barry Cohn**
        - **John Coyne**
        - **Anthony Esposito**
        - **Tim Hannigan**
        - **Scott Littman**
        - **Ryan Schulz**
      - **Jennifer Ziemacki** — *Representative Services Associate*
      - **Jared McGill** — *Representative Services Trainer*
      - **Melissa Wade** — *Relationship Manager*
        - **Kaitlyn Crawford**
        - **Laura Maguire**
      - **Carl Kirchner** — *Transitions Supervisor*
        - **Jennifer Emanuele**
        - **Nicole Graziano**
        - **Priscilla Smith**
      - **David Molter** — *New Accounts Supervisor*
        - **Kaitlyn Belvedere**
        - **William Flinter**
        - **Kimberly Oetting**
        - **Lynn Paturalski**
        - **Joseph Taylor**
    - **Colin Ramroop** — *Manager of Business Technology*
      - **Amber Kane**
      - **Timothy Mullady**
      - **Ron Wyche**
    - **Thomas J. LoManto** — *SVP Advisory Services*
      - **Philip Cordero** — *Advisory Trainer*
      - **Dee Gibbons** — *Advisor Compliance Associate*
        - **Sara Dolber** — *Advisory Services Associate*
    - **Timothy O'Grady** — *SVP New Business Development*
      - **Jim Finlay**
      - **Denise Shalijian**
    - **Frank A. Tauches, Jr.** — *Executive Vice President & General Counsel*
      - **James D. Goedtke** — *SVP Due Diligence Analyst & Product Manager*
      - **Frank Giacchetto** — *SVP Compliance*
        - **Martin Wendel** — *Compliance Officer*
          - **Avi Bitton**
          - **Amy Cintorino**
          - **Anthony Donnadio**
          - **Gerald Gibbons**
          - **Joseph Remia**