FREE

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

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From the **Editor-in-Chief**

IF THERE IS one thing to learn from American Portfolios' 2010 second quarter and this issue of FREE, it would be to never lose the passion in your life and in your work. It may sound simple, but events from April through June, as well as the collection of content presented in these pages, reveal this premise.

Our preoccupation with the market and the economy—which you'll hear about in affiliated colleague Ron Chakler's economic and market commentary (pg. 14) and see the impact of reflected in our performance numbers (pgs. 37–42)—seems less important when you put it in the context of issues that are larger than our daily activities and ourselves. That's why COO Dean Bruno will not be reporting on the firm's operational developments for the quarter; instead he shares a personal and cathartic account of learning about his diagnosis of cancer (pg. 7). And while important, President Tom Wirtshafter won't be talking in this edition about how to improve productivity, but how to adapt to a call for a greener environment in a paper intensive industry (pg. 9). General Counsel Frank Tauches won't concern you in this edition about how you need to stay compliant in your day-to-day activities, but how you need to play a role in influencing the proposed regulatory changes that could significantly impact our profession (pg. 10). Looking at the bigger picture, Phil Cordero in advisory services suggests you step back and take a proactive approach to evaluating your practice with some across-the-board fine tuning adjustments (pg. 11). Likewise, affiliated colleague Curt Mazer states the naked truth about advisors coming to a crossroad of either reinventing themselves or leaving the business (pg. 13).

To really enjoy what you do, whether it's your business, a personal interest or an experience, you have to have a passion for it; you have to really care about it. The stories you'll read here of affiliated colleagues, a partner and an end-client all speak to this passion. Whether it's about a former bluegrass banjo player turned financial advisor (featured rep Wayne Schuman–pg. 18) or a financial advisor turning to his love for creating art (Q&A with Berney Harris–pg. 28), they both speak of their commitment to their clients and the personal interests that define them. You'll feel the genuine pride of a third generation colleague—OppenheimerFunds Regional Sales Representative Anthony Ziniti and son of APFS affiliated colleague Steve Ziniti—as he talks about continuing the legacy of a family in financial services (pg. 16). Passion plays a key role in hard work and effort; you'll read this in the profile for affiliated colleague Bill Donahue's client Toni Piazza, who put loving sweat into her barbershop business (pg. 24), or the article on the physically and emotionally painstaking pedal-pushing efforts of affiliated colleague Gary Grappone, who participated for the first time in the World T.E.A.M. Sports Face of America bike ride in an effort to support disabled veterans and honor his 87-year-old father—a World War II veteran (pg. 8). And when CEO Lon T. Dolber took pause from his work one afternoon to rummage through a little brown book he spotted on his book shelf that belonged to his father, the contents reinforced why he and many of you stay in this business—because you love it (pg. 36).

Be sure to read the practice management and product educational content, first from colleague Tim Rossiter in his Part II article on the "I do" versus "I do not" considerations of marriage in estate planning (pg. 12) and then from focus partners IPC, CRUMP and Potomac on the benefits of Blue Shores Capital—an investment product with a unique account solution (pg. 32), behavioral economics in advanced insurance cases (pg. 33) and selecting the right money manager (pg. 34).

In closing, on behalf of the senior management team, I'd like to take this opportunity to say how pleased we are to have Joby Gruber join the firm as president of national sales and marketing—he is somebody who truly loves this business. We are so fortunate to have him in our court to tap into the wealth of knowledge and limitless supply of out-of-the-box thinking that he possesses.

Enjoy the remaining summer days and be joyful in everything you do.

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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 could we do better? What would you like to see us cover? Send your thoughts and ideas to **Melissa Grappone** at **mgrappone@americanportfolios.com.**

CALENDAR

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

Sept. 20	FP	**Lunch Meeting** *Sponsored by OppenheimerFunds Wendy Ehrlich, Noon*
Sept. 22	FP	**Lunch Meeting** *Sponsored by DWS Scudder Anthony Camilleri, Noon*
Sept. 23		**CRUMP** *Mike Malinowski, 9 a.m. - Noon Home Office Holbrook, N.Y.*
Sept. 27	FP	**Lunch Meeting** *Sponsored by Pacific Life John Piotrowski, Noon*
Sept. 29	FP	**Lunch Meeting** *Sponsored by Wells REIT Kevin Davis, Noon*
Oct. 4 – 6		**APFS Regional Meeting** *Downtown Hilton Indianapolis, Ind.*
Oct. 9 – 12		**FPA National Conference** *Colorado Convention Center Denver, Colo. www.fpaannualconference.org*
Oct. 11	FP	**Lunch Meeting** *Sponsored by Allianz Lorraine Lods, Noon*
Oct. 13	FP	**Lunch Meeting** *Sponsored by Putnam Investments David Casey, Noon*
Oct. 18	FP	**Lunch Meeting** *Sponsored by Penn Mutual Ken Junge, Noon*
Oct. 19		**APFS Assistant's Day** *Home Office Holbrook, N.Y.*
Oct. 25	FP	**Lunch Meeting** *Sponsored by Jackson National Steve Burke, Noon*
Oct. 26 – 29	FP	**Schwab IMPACT 2010** *Boston Convention and Exhibition Center (BCEC) Boston, Mass. www.impact.schwab.com*
Nov. 1	FP	**Lunch Meeting** *Sponsored by Franklin Templeton Bill Sheluck, Noon*
Nov. 8	FP	**Lunch Meeting** *Sponsored by Prudential Carrie Short, Noon*
Nov. 8 – 9	FP	**IMCA 2010 Advanced Wealth Management Conference** *The Palace Hotel San Francisco, Calif. www.imca.org/main/do/advancedwealth10*
Nov. 10		**OSJ Manager/Principal** *Conference Call, 4:15 p.m. EST*
Nov. 15	FP	**Lunch Meeting** *Sponsored by American Funds Steve Calabria, Noon*
Nov. 17	FP	**Lunch Meeting** *Sponsored by MetLife John Nahas, Noon*
Nov. 22	FP	**Lunch Meeting** *Sponsored by National Integrity Keith Carravone, Noon*
Nov. 29	FP	**Lunch Meeting** *Sponsored by AXA Adam Shefsky, Noon*
Dec. 1	FP	**Lunch Meeting** *Sponsored by Pacific Life John Piotrowski, Noon*
Dec. 6	FP	**Lunch Meeting** *Sponsored by Nationwide Susan O'Connor, Noon*
Dec. 8	FP	**Lunch Meeting** *Sponsored by DWS Scudder Anthony Camilleri, Noon*
Dec. 13	FP	**Lunch Meeting** *Sponsored by OppenheimerFunds Wendy Ehrlich, Noon*
Dec. 16		**American Portfolios Holiday Party** *Home Office Holbrook, N.Y.*
Dec. 20	FP	**Lunch Meeting** *Sponsored by John Hancock Joe Donadio, Noon*
Dec. 22	FP	**Lunch Meeting** *Sponsored by Penn Mutual Ken Junge, Noon*
Dec. 24		**Market Closed for Christmas**

CONTRIBUTORS

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

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CURT MAZER is an affiliated colleague in Holbrook, N.Y., and first-time contributor to FREE. He began his career in the financial services industry in 1976, focusing on life insurance sales through 1994, and was a qualifying and life member of the Million Dollar Round Table (MDRT). In 1996 he transitioned his business to include investment and retirement services, including qualified plan design and administration. He majored in political science and economics at the City University of New York. Curt lives in Huntington, N.Y., with his wife Charlotte.

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RONALD M. CHAKLER is an affiliated colleague in Huntingdon Valley, Pa., and regular contributor to FREE. He entered the financial services industry after working as a teacher in the School District of Philadelphia. He has since amassed 28 years of experience in the securities industry, with both NYSE firms and independent broker/dealers.

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STUDIO 4|5|4

ON-DEMAND VIDEOS LINE ▸ UP

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

2010 Outlook and Beyond:
Cyclical Recovery Versus Structural Headwinds
Join Western & Southern Financial Group Chief Investment Officer Nicholas Sargen for a detailed overview of the global financial markets and the recovery. This lively and thought-provoking seminar was the keynote address from one of the APFS regional meetings held this quarter. To access this video, use search words "Nicholas Sargen Outlook."

The Evolution of Portfolio Risk Management
Sponsored by Prudential and Stephen Brundage of Quantitative Management Associates, this presentation discusses real-life applications for facing the challenges in today's volatile portfolio construction environment. This program can be accessed using search words "Risk Management."

Pershing Overview
Presented by Director of Trading Services Marvin Loh of Pershing, this overview cuts through the hype to present the essential features of NetX360 that are important to APFS representatives using the platform. To access this on-demand video, enter search words "Pershing Overview."

2010 State of the Firm Address
CEO Lon T. Dolber delivers his annual American Portfolios state of the firm address, containing timely information on the company's growth. This video should be viewed by all APFS representatives and employees. To access the presentation, use search words "2010 State of Firm Address."

NEW EMPLOYEES

Bryan Eriksen
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Joined APFS in May 2010

As an accounting associate, Bryan reports to Finance Supervisor Michelle Schwab. Bryan's responsibilities include all day-to-day accounting functions, such as accounts payable and accounts receivable, maintaining records of routine accounting transactions, processing daily bank deposits, and posting transactions to the general ledger and other records. In addition to these duties, Bryan also helps the accounting and commissions department with handling check requests from other departments, preparing customer invoices and vouchers, reconciling company credit card purchases, assisting with annual FINRA license renewals and posting weekly commission payouts to appropriate ledgers within the accounting system.

Bryan, a 2008 graduate of the University of Rhode Island, earned a bachelor's degree in accounting. Prior to joining American Portfolios in May 2010, he gained work experience in his field with such positions as bookkeeper with Direct Marine Fuel, accounts receivable staff accountant with Accretive Solutions, tax preparer with Liberty Tax and auditor with R.S. Abrams & Co. LLP.

Bryan is a Mets and Islanders fan and, when not at work, he enjoys playing softball and boating in the summer. His passion is roller hockey. He was captain of the University of Rhode Island Rams Roller Hockey Club, which placed second in a 2007 national competition. He was also the creator and captain of the Sayville High School Roller Hockey team.

Joseph B. Gruber
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Joined APFS in May 2010

Joseph (Joby) is a member of APFS' executive management team, serving the company as president of national sales and marketing. In this role Joby leads the strategic expansion of sales and marketing services, which include field marketing support, strategic relationship management, practice management, new business development and marketing communications.

Prior to joining American Portfolios in 2010, Joby served as president for AIG Advisor Network and president and CEO for FSC Securities Corporation, a subsidiary of AIG Advisor Group. In these capacities, he worked to ensure that advisors received the programs, services and support they needed to operate at high levels of proficiency, while running and growing successful businesses and practices.

His education includes a bachelor's degree in business administration from the University of Georgia and an MBA from Georgia State University.

Joby was born and raised in Atlanta, Ga.; he continues to reside there with his wife of 25 years, Terry, with whom he has three children – Sarah, Sam and Eli. His passions in life are family and food, and he is most content when those two passions are combined to create lasting memories.

COMMUNITY

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As an advisory services representative, Linda reports directly to Dee Gibbons of advisory compliance. Linda's responsibilities include surveillance billing, surveillance of portfolios and monitoring third-party manager activity. In addition, she is responsible for accurate third-party billing and for keeping and maintaining third-party manager acceptance. Linda will also communicate with advisors and managers to update APA's written procedures and policies, as well as attend and host WebEx meetings.

Prior to joining American Portfolios, Linda worked as a communications ambassador for Dowling College, where she served as the first line of communication between students and college representatives. Her previous experience also includes working as an insurance customer service representative, senior insurance compliance analyst and insurance counselor.

Linda earned her bachelor's degree from the State University of New York at Cortland, with a major in communications and a minor in business management.

When not at work, Linda enjoys spending time with her kids, 7-year-old Jack and 9-year-old Molly. She also spends time working with and riding horses, as well as running a community Web site to keep parents connected in the Sachem area. She is a resident of Holtsville.

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As an operations associate, Joe reports to Operations Manager Phillip Bredow. Joe's responsibilities include processing incoming ACATs/Mutual Fund transfers and Non–ACATs/DRS transfers, and depositing Pershing checks and stock certificates. In addition, Joe does ACH requests, incoming and outgoing wires, journal transfers and check requests.

Prior to joining American Portfolios in May 2010, Joe gained leadership experience by working in managerial positions with KB Toys and the New York Islanders' pro-shop. Joe graduated from Stony Brook University in December 2009, earning his bachelor's degree in business management.

When not working, Joe enjoys listening to music, going to the movies and spending quality time with family. He is a resident of Selden.

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As an operations associate, Jared reports to Operations Manager Phillip Bredow. Jared's responsibilities include processing ACH requests and Selectlink requests. In addition, he handles incoming and outgoing wires, journal transfers and check requests.

Prior to joining American Portfolios in May 2010, Jared worked as a personal banker for Astoria Federal Savings Bank, a health care administration intern for LIJ North Shore University Hospital and a bank teller for J.P. Morgan Chase.

Jared earned a bachelor's degree from the State University of New York at Albany in May 2007, where he majored in mathematics and minored in business. He then furthered his education with the completion of his master's degree in May 2010, from the State University of New York at Stony Brook, with concentrations in business administration and finance. He is also a licensed life insurance agent in the state of New York.

In his spare time, Jared enjoys playing volleyball, golf and ice hockey; in college, he served as assistant captain and treasurer for the University of Albany Ice Hockey Club. He also likes spending time with family and friends. Jared is a resident of Holbrook.

EMPLOYEE OF THE QUARTER

Michael Boccio

AMBITIOUS. EAGER. TEAM player. These are just a few of the words that can be used to describe Trading Associate Michael Boccio and his exceptional service to American Portfolios Financial Services. It's qualities like these that create a leader in business and have led Mike to be named Employee of the Quarter for the second quarter of 2010.

Mike came to work for APFS in July 2007, straight out of college, where he put to use his finance and economic degree from Marist College, an accredited institute of the Association to Advance Collegiate Schools of Business. Eager to learn the ins and outs of the financial sector, Mike applied for a position within the operations department. He made quite an impression on Operations Manager Phillip Bredow, one he continues to strengthen three years later.

"I knew from the day I interviewed Mike for the position that he was eager and committed to learning as much as possible regarding this business," Bredow said. "Mike further committed himself to advance within APFS by obtaining his series 7, 55 and 66 licenses within a short period of time, all of which he passed on his first attempt. I am very happy for Mike and all he has achieved."

Though Bredow was saddened to have Mike leave his role as an operations associate, Mike has found his true calling executing trades directed by APFS representatives, and for this Bredow is proud of his former associate's accomplishments. Senior Trader Marc Johnson is happy to have him on his team, appreciating his work ethic and easy-going manner.

"Mike is ambitious and has an aggressive need to learn different aspects of how this side of the business works," he said. "At the same time, he has a comedic side that fits well with the others at the trading desk. It's important to let that fun side out when you work such a hectic job."

Because the trading desk is fast-paced and keeps its traders on their toes, Mike agrees that fun is a necessary component to the job; fun and a really cool hairdo, that is. His gravity-defying hair is a constant source of amusement at the trading desk, and a point of pride for Mike. All joking aside, however, Mike takes his job very seriously, as evidenced by his Employee of the Quarter status. More than receiving a certificate or award, though, he is grateful to be recognized by his peers.

"My goal has always been to keep gaining experience and learning as much as I can," he said. "It's a fantastic feeling to know that my hard work was recognized and that it is considered valuable within the company."

Mike, you absolutely are a valuable asset. Congratulations!

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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 second quarter of 2010...

AVI BITTON *Compliance Associate*

"Avi is a focused, hard-working and respectful employee. He approaches his responsibilities with passion and reverence. His assigned tasks are addressed in an efficient and timely fashion. Avi will jump into a project with no apprehension and will not permit any roadblocks. His goal is to efficiently and accurately complete every task."

— FRANK GIACCHETTO *Senior Vice President and Chief Compliance Officer*

DANIELLE CALCARA *Operations Support Associate*

"Danielle is energetic, cooperative and is always enthusiastic to help where needed; in addition to her own job responsibilities, she welcomes additional tasks with a smile. She is a great team player and completes every project accurately and within the expected timeline. Her positive approach to her duties and willingness to take on new challenges, as well as her friendly personality, are important in her customer service role and have earned her this award."

— MARY ANN COLLINS *Corporate Executive Assistant*

TIM MULLADY *Data Quality Associate*

"Tim has gone above and beyond his role, using extraordinary initiative and creativity within his position. One of his ideas, which spawned from a new proposed work process and equipment purchase, will save the company money and make a particular process more efficient and practical if utilized."

— COLIN RAMROOP *Manager of Business Technology*

MELISSA WADE *Relationship Manager*

"Melissa has been an asset to the organization for years with her strong abilities to plan, organize and implement our regional meetings and conferences. With minimal assistance and guidance, she performed exceptionally well in planning and implementing our first Assistant's Day meeting. She organized and managed the transportation, lodging, food and agenda for all of these events, among many other things."

— DEAN BRUNO *COO*

JOE TAYLOR / WILLIAM FLINTER
KIM OETTING / KAITLYN BELVEDERE *New Accounts Associates*

"Over the past three months, this team has demonstrated outstanding teamwork and efficiency in meeting the department's responsibilities. During this time, the workload of the department has been increasingly demanding; however, each member of this team has shown the poise and skill to work well under pressure and get the job done, while continuing to maintain a high level of customer service. To be specific, over the first quarter of 2009, this department opened 1,600 Pershing accounts; in the first quarter of 2010, they opened 4,700 Pershing accounts. This is an increase of more than 3,000 accounts. As their supervisor, I am very proud of my team and the work they have accomplished."

— DAVID MOLTER *New Accounts Supervisor*

COO'S CORNER

BALANCE

by Dean Bruno

A TYPICAL COLUMN for my quarterly contribution to FREE usually provides our colleagues and partners with a business update with what is happening or will happen at American Portfolios. However, I would like to take this opportunity to delve into the personal. Over the past nine years, I've developed relationships with many of you; I not only got to know how you operate your practices, but have also met your families and, as a result, forged many friendships. It is with that in mind that I'd like to share a bit of what's taken place in my own life in the second quarter of 2010.

In mid-May, I was diagnosed with Stage 3 Nodular Sclerosing Hodgkin's Lymphoma. I am 40 years old, a veteran of 19 marathons, and someone who has never smoked, used drugs or consumed excessive alcohol. I eat a diet filled with fruits and vegetables, and drink plenty of water. I've taken care of my body throughout the years, which is why this news was a stunning surprise.

Admittedly, with the growing rate of our broker/dealer, my level of responsibility has increased tremendously, and the stress I garnered grew in turn. But, a creature of habit, I managed accordingly, setting my alarm at 5:29 a.m. everyday, running, coming into the office between 7 and 8 a.m., and leaving by 6:30 or 7 p.m. every night. I had set a schedule whereby I'd meet with various staff members and set various conference calls week in and week out. The hectic pace and packed schedule became a manageable routine.

Every spring, a few weeks before I would run in the Boston Marathon, I would see my primary care physician, who'd run tests and, with normal results, would soon send me on my way. Certainly, there have been minor setbacks throughout the years, but I'd always bounce back quickly. However, I recently started to notice that ailments I had in the past weren't going away so quickly, and the ability to recover from training runs was beginning to wane.

On May 6, the day after returning from our regional meeting in Florida, I felt an odd pain from my sternum to my throat that, initially, I thought was simple indigestion. Around 10:30 a.m., SVP of National Sales Development Tim O'Grady walked into my office to ask me a question; before I could answer him, however, Tim noticed that I didn't look well and asked what was wrong. I explained to him the pains I felt in my chest up to my throat, but simply chalked them up to getting older, to my running and to my work schedule. But, without question, Tim contacted his brother-in-law, an emergency room physician at Stony Brook University Medical Center on Long Island, and drove me to the hospital.

Upon the initial evaluation, the ER team thought I was having a heart issue, but as the hours passed, more testing needed to be done. Around midnight, my wife Cathy and I met with the chief of cardiothoracic surgery, who explained that the team of doctors had found a sizable, mediastinal mass in my chest.

From my perspective, when a doctor explains that you have a mass that might be malignant, life and its priorities change dramatically. Life as you know it ends and a new phase begins. All energies and thoughts revolve around how quickly you can remove all cancerous cells from your body.

As such, I've agreed to a standard Hodgkin's Lymphoma regimen of 12 chemotherapy sessions, one every other Friday until December. The oncology team feels that I have a better than 80 percent chance of ridding my body of cancer by the end of the treatment schedule; Hodgkin's Lymphoma is a very treatable and curable form. All the doctors at Stony Brook and all the material that I've read online have conveyed and illustrated that there isn't a definitive answer as to why or how I developed this condition.

I've come to grips with my illness and treatment plan and look forward to the day that I'm cancer free. There is no question in my mind that I will succeed in fighting this disease.

I want to thank all of you who have prayed and wished me well as I look forward to speaking with and seeing you in the future. But for now, I'd like to leave you with a few thoughts: Live life to its fullest everyday, because we truly don't know what tomorrow will bring; listen to your body and try, in all endeavors, to maintain a balanced approach to life; and finally, laugh, think and experience great emotion every day. A quote from the great North Carolina State University basketball coach Jim Valvano states it perfectly:

"To me, there are three things we all should do every day. We should do this every day of our lives. Number one is laugh. You should laugh every day. Number two is think. You should spend some time in thought. And number three is, you should have your emotions moved to tears, could be happiness or joy. But think about it. If you laugh, you think, and you cry, that's a full day. That's a heck of a day. You do that seven days a week, you're going to have something special."

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PRIDE, SWEAT *AND* GEARS

AMERICAN PORTFOLIOS RIDES TO SUPPORT TROOPS

By Bob Vogel

IN APRIL, FRIENDS, colleagues and employees of American Portfolios Financial Services Inc. (APFS) put the saying “support our troops” into action and joined 300 cyclists in the fifth annual Face of America Bike Ride. Sponsored by World T.E.A.M. Sports (WTS), the two-day, 110-mile ride honored soldiers who were severely injured and disabled in the wars in Iraq and Afghanistan.

For APFS CEO and World T.E.A.M. Sports board member Lon T. Dolber, enticing people out of their comfort zone to participate in adventures like the Face of America Bike Ride is a passion. His mantra is, “You think you are helping, which you are. But in the end you find you have received much more than you have given.” A testament to this statement is the growing ranks of American Portfolios participants—many returning for the fourth or fifth year—that volunteer their time, fundraising skills and pedal power to support the troops and World T.E.A.M. Sports.

The event began at the reflection pool in front of the Capitol building in Washington D.C., where civilian riders joined 75 active-duty military volunteers and 75 injured and disabled soldiers the organization had flown in from around the country. Although the forecast called for cool weather and rain showers, the clouds broke and brilliant morning sunlight shone down as the sounds of “The Star-Spangled Banner” signaled the start of the ride.

From the Capitol, the route went past the iconic monuments and memorials, providing a soul-stirring pride and emotional energy that the riders would need for the first day’s 65-mile leg.

One of the rookie riders this year was APFS Senior Vice President Gary Grappone. “I was reluctant to do the ride. I’m over 60 and more of a musician and bookworm than an athlete,” Grappone said. “I hadn’t ridden a bike since I was 12. But, you know how Lon is; once he has an idea, he can sell you on it.”

Grappone’s father, an 87-year-old decorated war veteran, fought in Patton’s army in World War II. “He saw lots of combat, including Battle of the Bulge, and understands many veterans come back mentally and physically battered. The troops need more support. Thinking of him, and riding with the troops past the Iwo Jima memorial, was a powerful experience.”

Grappone knew the ride would not only be emotionally powerful, but also physically grueling, and working long hours left little time to get in shape. Instead, he chose an atypical training method to get the athletic juices flowing—dusting off and working out on his Nordic Track Elliptical trainer.

Next, Grappone blew the cobwebs off his mountain bike—an unused birthday gift he received 10 years ago. “I took it to a local bike shop to get checked out. They said with the knobby tires and heavier frame it would require more effort than a road bike, but since this was a one-time thing it would ‘probably’ be fine,” he recalled.

Although it took Grappone a while to regain his cycling chops, especially on a heavier bike, he soon found his rhythm and started to discover the magic that Dolber waxes about.

“It was exciting being part of this cavalcade of riders. We were exchanging stories, working together, sweating together; it was motivating and made me feel like I could go on forever,” says Grappone. “Everybody left their egos and their politics behind to put one pedal in front of the other to support and make a statement for the common good of the troops.”

That positive energy from the ride seemed to have an effect on the weather, as the forecasted rain held off and the cloudy, cool weather provided ideal conditions for the riders on that first day, which ended with the tour pulling into the Fredrick, Md., Sportsplex, energized by waving flags, cheering crowds and banners of appreciation.

Day two—the final day—was slated to be an “easy” 45-mile ride from Fredrick to Gettysburg, Pa.; admittedly, Grappone credits the excitement and energy of the event for overriding his fatigue and soreness from the previous day’s long ride. Excited that the goal was within his grasp, Grappone hit (literally) a snag 15 miles outside of Gettysburg, when he ran into a bike that had fallen in front of him, causing him to tumble over the handlebars and scrape his knee. Although he was bandaged up, he was advised not to continue riding.

However, Grappone had been bitten by the event’s positive energy and, just before Gettysburg, got back on his bike so he could finish the ride with the team. “We crested a hill and rode into the battle grounds of Gettysburg. The statues and monuments were shrouded in fog and mist. Riding through there, knowing the battle that had taken place, was an eerie and very powerful experience,” he recalled of the moment. “Riding across the finish line as a team was phenomenal. We rode under crossed cannons. There were American flags flying from fire truck ladders and a Marine band was playing. I thought, ‘Oh my God, this is a great experience.’”

Another aspect of the ride that moved Grappone was the APFS team camaraderie. “Doing the ride with other members of American Portfolios was rewarding. There were good vibes all around and a good team spirit,” he said. “I liked the eagles Lon passed out to wear on our helmets. They made it easy to identify team members and gave a good sense of teamwork. I kept my eagle and it’s on display in my office.”

> EVERYBODY LEFT THEIR EGOS AND THEIR POLITICS BEHIND TO PUT ONE PEDAL IN FRONT OF THE OTHER TO SUPPORT AND MAKE A STATEMENT FOR THE **COMMON GOOD OF THE TROOPS.**
> – *Gary Grappone, Holbrook, N.Y.*

Although he was reluctant to do the ride initially, Grappone was humbled and moved by the experience. “I’m a better person for it,” he said. “I would definitely do it again—but on a more appropriate bike next year. I’m glad Lon talked me into doing it because, without his persistence, I would have missed out on a positive experience.”

PRESIDENT’S PERSPECTIVE

A TREE GROWS *in* CENTRAL PARK

by Tom M. Wirtshafter

I AM LUCKY to live in New York with such a beautiful view of my city below. The apartment faces east, but still manages to catch the evening sun and the trees that shimmer in its golden glow. On the evenings I can get home before night falls, I marvel at the sight of it. But amidst it all—the buildings, the people and the sounds below—stands the crown jewel, Central Park. Staring out, I am reminded of the foresight New Yorkers had in the 19th century to create such a versatile public park. These visionaries knew if New York was to take its place among the great cities of the world, it would have to have a park rivaling the great parks of Europe. And thus, it became the first public park in America.

ILLUSTRATION BY STEVE CARSELLA

A walk through Central Park is further testament to that forward thinking. Most of the activity of 21st century New Yorkers was not even invented when the park was dug out of the crags and swamps north of 59th Street so many years ago. Remember, baseball wasn’t played until the 1870s, and the American Kennel Club wasn’t founded until the 1880s. Yet, on any day, you can see people playing baseball and walking with their dogs amongst the countless other soccer players, nannies, yogis and tai-chiers present; even a few horse and buggies can be spotted, despite the closing of the Claremont Stables several years ago. It’s evident that the park not only had to adapt to the changing nature of our desire for recreation but, more importantly, could.

When Pershing mentioned at a recent conference that the amount of paper statements and confirms they generate annually was the equivalent to cutting down all of the trees in Central Park twice each year, I had a moment of pause. I understand the need for transparency, and furthermore understand the regulatory nature of our responsibility to ensure that clients are aware of all activity in their accounts; but, thinking about that statistic, and how many years I personally have been swamped by statements and confirms, I decided it was time to change, to “go green.” The prospect of change, of living a greener existence, starts with the willingness—like Central Park—to adapt.

NetXClient, an online account-viewing tool offered by American Portfolios to all Pershing accountholders at no charge, allows clients to view the activity, holdings, prices, statements and confirms in their accounts. Every few days, I log into my account to check and see if there were any changes. Once each month, I get an e-mail saying “your statement is available.” I review it, file it in my online statement folder and, in my own way, adapt to help save a tree. Admittedly, every once in a while, I make a print-out of two or three important pages to ensure I have the information if my computer’s hard drive breaks, but even so, I know I can get it at anytime because Pershing keeps all statements available for 10 years. I’ve been told that it takes 24 trees to make a ton of paper. In utilizing this tool, I’m not only staying diligent about my holdings, but I’m saving a couple branches in the process.

So, like Central Park, I am adapting. I couldn’t have imagined 20 years ago that I would do my banking at a wall (the ATM), but today I rarely even go inside a bank branch. I thought I would forget to look at my statements if they weren’t delivered to me; now I don’t wait for the month’s end to see how I’m doing—I can check them anytime. Also this year, I stopped my bills and my credit cards from sending statements to me. Like Pershing, they too send me an e-mail notifying me that the bill is ready. I go into my online banking system and send the payment electronically. No stamps, no paper, no signature. It takes only a couple of minutes to do my bill paying online and when I’m done, I look out the window over the park and smile. Won’t you help me save some trees? For more information on how you can switch to paperless statements via NetXClient, contact your APFS relationship manager.

> “WHEN PERSHING MENTIONED AT A RECENT CONFERENCE THAT THE AMOUNT OF PAPER STATEMENTS AND CONFIRMS THEY GENERATE ANNUALLY WAS THE **EQUIVALENT** TO CUTTING DOWN ALL OF THE TREES IN CENTRAL PARK **TWICE EACH YEAR, I HAD A MOMENT OF PAUSE.**”

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TAKING THE HILL

by Frank A. Tauches, Jr.

ASIDE FROM JOHN Wayne war movies, I first heard the term "take the hill" 45 years ago at Marine Corps Officer Candidate School when, as an 18 year old at Quantico, Va., my squad muscled its way through a variety of obstacles to achieve our objective—conquering the hill, which represented the high ground and a tactical vantage point for continuing the exercise. Now, "take the hill" has new meaning. The "hill" is Capitol Hill in Washington, D.C.—the site of our legislative branch of federal government—and the new objective is to successfully influence legislation affecting our profession so that we achieve a tactical advantage. While we acknowledge the need for regulation in our industry, we also understand that this advantage will enable our financial advisors and our firm to continue serving clients unimpeded by the obstacles of over reactive legislation and regulations that—although well meant—could create negative, unintended consequences and actually hinder the development of client relationships.

APFS CONTINUES TO BE A MEMBER OF A NUMBER OF PROFESSIONAL ORGANIZATIONS THAT KEEP US INFORMED WHEN ANY PENDING JUDICIAL DECISION, PROPOSED LEGISLATION OR PROPOSED REGULATION **WILL AFFECT US AS** AN INDEPENDENT BROKER/DEALER.

Sometimes it's hard to think of Congress as anything but a synchronized automaton of government; churning out laws that we have no control over, but only the blind duty to obey and follow to the letter. Although each state's two senators serve a statewide population for a six-year term, the House of Representatives consists of 435 individuals who serve a small district in which citizens live. Since representatives' terms are for two years, they are very conscious of the needs of their constituents.

This is significant for APFS as a firm and each representative individually because, with our territorial expansion over the last four years, we have—through each of you—established constituencies in many congressional districts that are important as different proposals on regulations and legislation crystallize. Contacts with congressional leaders, state officials, and local mayors and trustees will play an important part in shaping our industry.

APFS continues to be a member of a number of professional organizations that keep us informed when any pending judicial decision, proposed legislation or proposed regulation will affect us as an independent broker/dealer. Both the Financial Services Institute (FSI) and the Investment Advisor Association (IAA) are reliable sources for information and action on advocacy issues. FSI acts affirmatively as an advocate for independent broker/dealers and the IAA serves the investment advisor profession. Both organizations have senior staff members dedicated to government affairs and both host advocacy meetings in Washington, D.C., for the purpose of lobbying congressional leaders. However, as I have stated before, issues may be framed on Capitol Hill, but they are won back in the home district through the efforts of local constituents who would be most affected by proposed legislation.

As a firm and individually, we must be proactive in influencing our congressional leaders. To this end we are working on establishing a "Legislative Action" section on our Web site, where we post pending bills, "white papers" on the issues for review and distribution, and sample letters that may be sent to our state and federal legislators. It will also contain some broad information that the company feels will be helpful in arranging and conducting these meetings. Each of our representatives will be called upon as needed to contact their representative and senator as an affected constituent.

I'm interested in everyone's thoughts and ideas and will be calling on reps in the future. As always, feel free to contact me.

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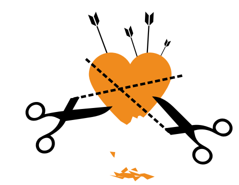
The Business of BREAKING UP



By Philip Cordero

THERE ARE A range of concerns that an advisor may have regarding the current economic climate, as well as its impact on his or her practice. Some of these concerns can range from the growth of their business to operational efficiency, and, of course, profitability. It is important to look at these concerns not with fraught, but rather with a proactive eye. If you are one of the many advisors using this time as an opportunity to fine-tune your business, client screening can prove to be an invaluable practice.

Practice management specialists have long recommended client screening as the first step in building an effective business model. Advisors should assess all potential new clients and re-evaluate all current clients on a standard basis—at least annually. This enables the advisor to better monitor clients, consider any changes that might affect the professional relationship and avoid situations that could escalate into crisis.

QUESTION ONE

Is the agreement a good fit for the advisor's expertise?

When looking at which clients may or may not be a good fit for your practice, it's important to remember your responsibilities as a trusted advisor. Due diligence and client risk assessment demands that advisors a) are capable of performing the services required by the engagements they accept and b) are performing the services with the highest level of care possible as it relates to the client's risk tolerance.

Proficiency in any type of engagement includes the ability to identify the areas of concern in the client's financial wealth. Advisors are expected to possess a thorough understanding of the client's overall financial situation and risk tolerance in order to identify the parts of their financial plan that need to be addressed.

All advisors should make a habit of redefining and understanding the scope of their own practice, going as far as to write out a clear statement of what they can and cannot do for their clients. If you have clients who do not fit into that scope, then disengage and refer the clients elsewhere. This may also be an opportunity for some advisors to gather as a network or group and refer clients based upon the client's and advisor's needs.

QUESTION TWO

Is the client the kind you would like to have?

Once you've established what type of business you would like to launch, ask yourself what type of clients you want. If you're a new advisor, you have the opportunity to select the clients you want. If you've been practicing for some time, there's nothing to stop you from changing your clientele. Spend some time thinking about the question, "What kind of clients would I really like to have?"

An assortment of factors need to be considered in answering this question, ranging from the client's reputation and integrity, to their commitment working within the models and guidelines you have established. It is also important to determine the client's views on market conditions, personal standards and/or morals. Answers to these and other questions will enable the advisor to more clearly see where this potential client's views on money may fall—pivotal when planning for them.

Background investigations are also recommended for all significant engagements. Methods of obtaining background information are easy in our current world of inter-connected technology.

QUESTION THREE

What is the prospective client's financial knowledge?

The client meeting has been set-up and your background investigation is in hand—now it is time for you to interview and qualify the prospective client. Developing a series of specific questions to help expand, as well as delve deeper into any pertinent information found, is key and should be employed by more advisors in order to streamline or tailor their business.

- Why was our firm selected for this engagement?
- What was the source of the referral?
- What business is the client in?
- What is the client's financial track record (bankruptcies, business failures)?
- What is the client's level of financial sophistication?
- Is the financial knowledge of the client acute?

QUESTION FOUR

To engage or disengage?

Effective disengagement begins with the prospective client's interview and/or the review of the existing client's needs. For most advisors the idea of turning away a client brings headaches and maybe even nightmares. However, if you do decide to disengage, to terminate the relationship professionally and formally, it should be done in writing. At a minimum, the disengagement letter should always contain the following:

- A clear statement that you are disengaging and the effective date of the disengagement
- A description of any work that is in process or unfinished

Review and edit the letter carefully to ensure that it is rational, objective and professional; don't let it reflect personal feelings. Send the letter on a timely basis so that the client is not left with an unreasonable deadline that cannot be met. When done effectively, disengagement can leave your clients feeling that you have acted in their best interests.

CONCLUSION

Client screening should be done regardless of the nature of the services you are being asked to perform, preferably during the period between the client's first contact with you and the preparation and signing of the client agreement. Much of the information you'll need can be asked at the client interview and verified later through other outside sources and follow-up interviews. By developing a screening process for all clients, the advisor can avoid a lot of stress and save a lot of time, energy and money that may have otherwise been spent generating greater revenue from their existing client base or by focusing on new clients who will increase revenue.

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BOOMER BEAT

PART 2 **ESTATE PLANNING:**

I DO vs I DON'T THINK SO

Considerations for Later-in-Life Unions

By Timothy Rossiter

In the last issue of FREE, I wrote an article on the topic of "marriage or not," which examined a number of estate planning issues, including federal estate tax IRAs, probate laws and funeral/burial decisions, that seemed to favor a marital union. The following considers additional estate planning issues, each speaking either for or against such a marriage. It should be noted that these considerations could be skewed if the later-in-life marriage is the first and only marriage for both of the individuals.

LONG-TERM CARE AND ILLNESS: Life partners, whether by marriage or not, offer to one another tremendous support during the troubling times associated with long-term care and illness. When partners' assets are mingled, a wide variety of financial and inheritance challenges may present themselves. This is why legal documentation—such as powers of attorney and HIPPA authorizations, as well as long-term care insurance—should be in place well before there is a need for them. If properly executed, these estate planning tools will clearly identify the wishes of each partner and, in turn, will not weigh heavily in the argument for or against marriage.

MEDICAID CONSEQUENCES: Tying the knot can be both advantageous and disadvantageous when dealing with Medicaid. With proper advanced planning, the healthy partner in a marital relationship need only say "no" to contributing available assets to the care of the ill partner in order for them to be Medicaid eligible.[1] This is commonly known as "spousal refusal." Conversely, the assets of both married partners can be considered when applying for Medicaid, and although the non-ill or non-healthy partner is permitted to keep a small portion of the assets, mandatory contributions toward the cost of the ill partner are likely. When the individual assets of the unmarried partners are counted separately, any asset transfers are subject to the look-back period time constraints. In any of these cases, long-term care insurance can effectively be used to protect the assets.

PENSION AND HEALTH CARE BENEFITS: The impact of marriage on pension and health care benefits can be either beneficial or detrimental. Marriage may provide health care benefits that in most cases are unavailable to a single, non-working person, regardless of where that person resides. Conversely, persons who cohabitate after the death of a spouse need not worry about the cessation of benefits received from that spouse's former employer, unless they re-enter the ranks of the legally married.

CREDITOR ISSUES: In most cases, a spouse is responsible for a deceased partner's debt. By contrast, unmarried partners do not assume one another's liability and are not exposed to IRS claims.

ALIMONY: Remarrying, and in some instances cohab-itation, will almost always prompt the cessation of the receipt of alimony and maintenance payments.

SOCIAL SECURITY BENEFITS: At retirement age, a widower can claim a deceased partner's Social Security benefit if it's higher than their own benefit and if the partner did not retire prior to the age of 60. A divorced spouse may claim the Social Security benefit of the ex-spouse's earnings as long as they were married for 10 years and they have not remarried prior to the age of 60. If the ex-spouse is still alive, the spousal benefit will be split 50/50 at the time of claim, with the wage-earner themselves receiving 50 percent. If the spouse does not remarry prior to age 60, and the ex-spouse passes away prior to full retirement age, the full retirement benefit is available for the single, surviving ex-spouse, as well as for a surviving second spouse.

INCOME TAX RATE CONSEQUENCES: In many cases, married partners pay more taxes, filing jointly rather than unmarried or single individuals, especially when the income levels of both spouses are relatively equal. A combined income on tax form 1040 results in a higher tax bracket. It should be noted that a lower tax rate may result from the combined income of two spouses when there is a large discrepancy between the earning levels. In recent years, Congress has worked toward fixing the so-called marriage penalty.

IRA AND RETIREMENT PLAN CONSEQUENCES: Under the Retirement Equity Act of 1984, spouses are required to name one another as the primary beneficiary on tax-qualified, employer-sponsored retirement plans. In order to name a non-spouse as the primary beneficiary, the spouse must authorize this choice by means of a signature. The Retirement Equity Act does not apply to IRA accounts; therefore, a married IRA owner may name whomever they desire as the primary beneficiary. In a community property state, however, spousal consent is required. Unmarried persons have no restrictions when naming beneficiaries on all applicable accounts.

From a practical standpoint, arguments for and against marriage can be made from both sides of the coin. With an eye to the bottom line, proper planning always pays off. Comprehensive, detailed planning is always in vogue and can play a starring role in this second, or even third, act.

On a personal note, the first article in this series began with my receipt of a letter from a friend and colleague, welcoming me into "the club"—the widowers club—for which neither one of us desired entry into. I am pleased to close this article by noting that both my friend and I are now members of another club—the newlywed club.

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[1] Spousal refusal is a legally valid Medicaid planning option in just three states: New York, Florida and Connecticut.

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

ILLUSTRATION BY STEVE CARSELLA

VIEW FROM THE FIELD

MANAGING YOUR FINANCIAL PRACTICE IN TODAY'S UNCERTAIN TIMES

by Curt Mazer

Demands on the financial advisor have grown geometrically over the past several years. The extent to which the practitioner can meet these challenges will likely dictate either a successful outcome or "forced retirement."

So, it follows that we first identify some of the more significant challenges, seek to better understand them, and then develop and implement appropriate strategies so that we, our firm—and most importantly our clients—can benefit.

Clearly, the most astute financial professional cannot offer any expertise unless he or she can market that expertise to a sufficiently large clientele. Further, and equally important, that clientele must possess the necessary means and sophistication to retain the advisor's services. I often hear comments about how a particular client raised objection to the fee associated with a particular transaction. The same transaction could have been executed online with a discount broker at a fraction of the cost, or so they allege.

I would argue that such a response does not come from a client who values your service. Unless the client can become sufficiently educated as to the services you provide, they are probably better served handling their own finances. When was the last time you complained to your CPA or MD about how much money you could have saved by "doing it yourself"? The difference stems from the fact that you appreciate the professional's expertise, trust their advice, recognize that there is no conflict of interest, and have the ability and willingness to pay for the services rendered.

To be successful, today's financial service professional must be viewed in the same light. So, when acquiring new clients you must first define the minimum standards for what it takes for someone to become your client. Your answer can be as specific as you want it to be, but you must know the answer. You can use any criteria that work for you, but please make sure that income, investible assets and at least some tolerance for risk is included. It's much better to tell a prospect that, before they establish an investment account, they should first concentrate on accumulating a particular sum in savings and insurance when, as a result of your examination, you believe that's the right thing to recommend.

The beauty of such a discipline is that it works equally well when the practitioner is in the early stages of building the business from the ground up, or when an established advisor wants to bring their practice to the next level. The only difference is that the established advisor can satisfy his or her objectives by making the standards more stringent.

While building and growing the clientele is the lifetime work of the financial professional, maintaining clients becomes an integral part of the process. It is far more costly to build the number of clients than it is to maintain those who have already entrusted you with one of their most prized possessions—their money. Trust must be earned every day and that cannot happen in a relationship where telephone and e-mail are the only forms of communication.

I recently received a telephone call from a substantial client in Rhode Island. This client, now with me for over eight years, explained that he wanted to "simplify" his finances by moving all of his assets with one financial advisor. I responded, "well, I guess that's going to be me, right?" It took no more than five seconds to begin swallowing my pride when the client reported that that's not what he had in mind.

The result was to visit the client. The purpose of the session was to re-establish myself as the trusted advisor. While recognizing that all clients are continuously being solicited by our competitors, today's true financial professional must exemplify trustworthiness and earn the continued respect and admiration from the client. The result is that the advisor retains the client and is not faced with the challenge of needing to accumulate more clients.

IT IS FAR MORE COSTLY TO BUILD THE NUMBER OF CLIENTS THAN IT IS TO MAINTAIN THOSE WHO HAVE ALREADY ENTRUSTED YOU WITH ONE OF THEIR MOST PRIZED POSSESSIONS

THEIR MONEY.

None of this can happen without building a reputation for consistently providing sound advice and superior products. Likewise, nothing can more quickly damage that reputation than if your careless recommendation results in customer disappointment; today's and tomorrow's successful financial professional understands this. Therefore, I consider it mandatory that the goal of any advisor/client relationship is to focus on improving satisfaction while minimizing disappointment.

Help your clients develop reasonable expectations as to what you can and can't do for them. Explain that you can never promise favorable results. Be quick to point out that you can help them manage risk to a level they feel comfortable with. Introduce them to financial concepts that they were not familiar with in the past. Visit with the client frequently to make sure they are not veering off course.

The advisor that is selective in growing his/her clientele works diligently to keep that client, and visits with them often. He is guided by nothing less than the highest standards of professionalism. He manages not only the portfolio, but client expectations. He is destined to be the advisor of choice. Those who rebuke these standards will likely show themselves to be on the same plane as the product peddler. They may derive some compensation in the short term, but will ultimately leave the real opportunities behind. And while the economic times may be uncertain for many years to come, the financial professional has before him the greatest potential ever!

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ECONOMIC AND MARKET COMMENTARY

SHOULD RISING RATES BRING RISING FEARS?

By Ronald M. Chakler

During the recent economic crisis, the Federal Reserve System provided a great deal of liquidity to our financial system to deal with the perils of the situation we were facing at the time. As the economy recovers and as the Fed prepares to drain some of this liquidity in the form of rising interest rates, investors are becoming increasingly worried about the effect of higher rates on their portfolios. In addition, according to the Investment Company Institute, investors have poured $375 billion into taxable bond funds over the past year in an effort to seek out higher yields. However, if we examine prior periods of monetary tightening, there are a number of points we must consider that may help allay some fears.

These periods can often provide an opportunity for investors because not all benchmark rates rise and fall in a similar fashion and, in addition, their movements will not necessarily have the same effects on the broader fixed income market. The most important factor to consider is that a strengthening economy is generally a prerequisite for rising rates.

ILLUSTRATION BY STEVE CARSELLA

Under these conditions, many credit-sensitive issues, such as corporate bonds and loans, have actually performed relatively well since sustainable economic expansion enhances the prospect that companies will be able to repay their debt. Secondly, if the steps taken by the Fed can help rein in future inflationary expectations, that can, as has happened in the past, limit the volatility in long-term interest rates. Given this scenario, the performance of assets with longer durations may actually exceed expectations heading into a tightening campaign.

The question that is most asked today is, when will the Fed begin to change current fiscal policy and begin the tightening process? Most observers think the labor market will have to show some consistent payroll additions before any change is considered. Although it is difficult to predict, many believe the second half of this year may provide some consistency in the labor markets. If we examine prior aggressive periods of tightening, the 1994-1995 period initially comes to mind. But it is quite clear that this period was unlike our current situation. In February 1994, the Federal Open Market Committee (FOMC) stated that "housing stats had strengthened substantially in the fourth quarter of last year … real outlays of motor vehicles surged, and spending on other durable goods registered further large gains." This set the stage for a 300 basis point rise in the federal funds rate over the course of only one year. Ten-year Treasury notes proceeded to rise 140 basis points—from Dec. 31, 1993 to Feb. 1, 1995—to 7.75 percent. Whereas Treasurys are free from credit risk, there were certain credit-sensitive securities that did reflect an improvement. The Credit Suisse Leveraged Loan Index, which contains bank loans usually extended to companies with non-investment grade ratings, returned 12.22 percent over the same period. In addition to narrowing credit spreads, investors were drawn to floating rate loans, since their coupons are usually based on the three-month LIBOR and could be reset quarterly. Also, high-yield bonds, which generally do not have the resetting option, also avoided significant volatility in 1994. The Merrill Lynch High Yield Master II Index returned 3.57 percent during the tightening period, compared with 1.36 percent for the Barclays Capital U.S. Aggregate Bond Index.

A decade later, in 2004, the Fed took a different approach when economic conditions improved following the collapse of the tech bubble. The central bank began raising rates from 1 percent in 2004, and it took two years and 425 basis points to complete the process. This "measured" approach made the performance gap between assets classes even greater. The Merrill Lynch High Yield Master II Index posted a return of 15.66 percent, and the Credit Suisse Leveraged Loan Index gained 12.89 percent between May 1, 2004 and June 30, 2006. The transparent, measured approach by the Fed limited the volatility in long-term rates, as the yield on the 10-year Treasury notes rose only 59 basis points to 5.10 percent between April 30, 2004 and June 1, 2006. During this period, positive returns were also seen in long-term municipal bonds. From the start of 2004 to the end of 2006, the three-year average annual return of the Merrill Lynch 22+ Year Municipal Security Index was 6.53 percent.

While there is little doubt that a round of Fed tightening is on the horizon, investors and advisors really need to ask themselves how it will take place. Will it be an abrupt surge through a series of steep hikes, or will it be measured over a prolonged period of time? When will the Fed remove the term "considerable period" from its language? Based upon the recent commentary and the look of the recovery, I am confident that the Fed will be careful not to jeopardize the recovery and will take gradual steps once they begin the tightening process. Whereas rising inflation and higher prices generally accompany a recovery, it is currently difficult to imagine this kind of surge while the unemployment rate hovers near 10 percent.

Therefore, as we have just examined in the past two tightening periods, a gradual increase in rates should not be cause for alarm. And since the Fed is unlikely to begin until a sustainable expansion is in place, it should actually be considered a positive development in the current economic cycle. Even though conditions are not exactly like they were in 2004, if we see a strengthening economy with subdued inflation expectations, assets that are exposed to these conditions could experience far less volatility than investors fear.

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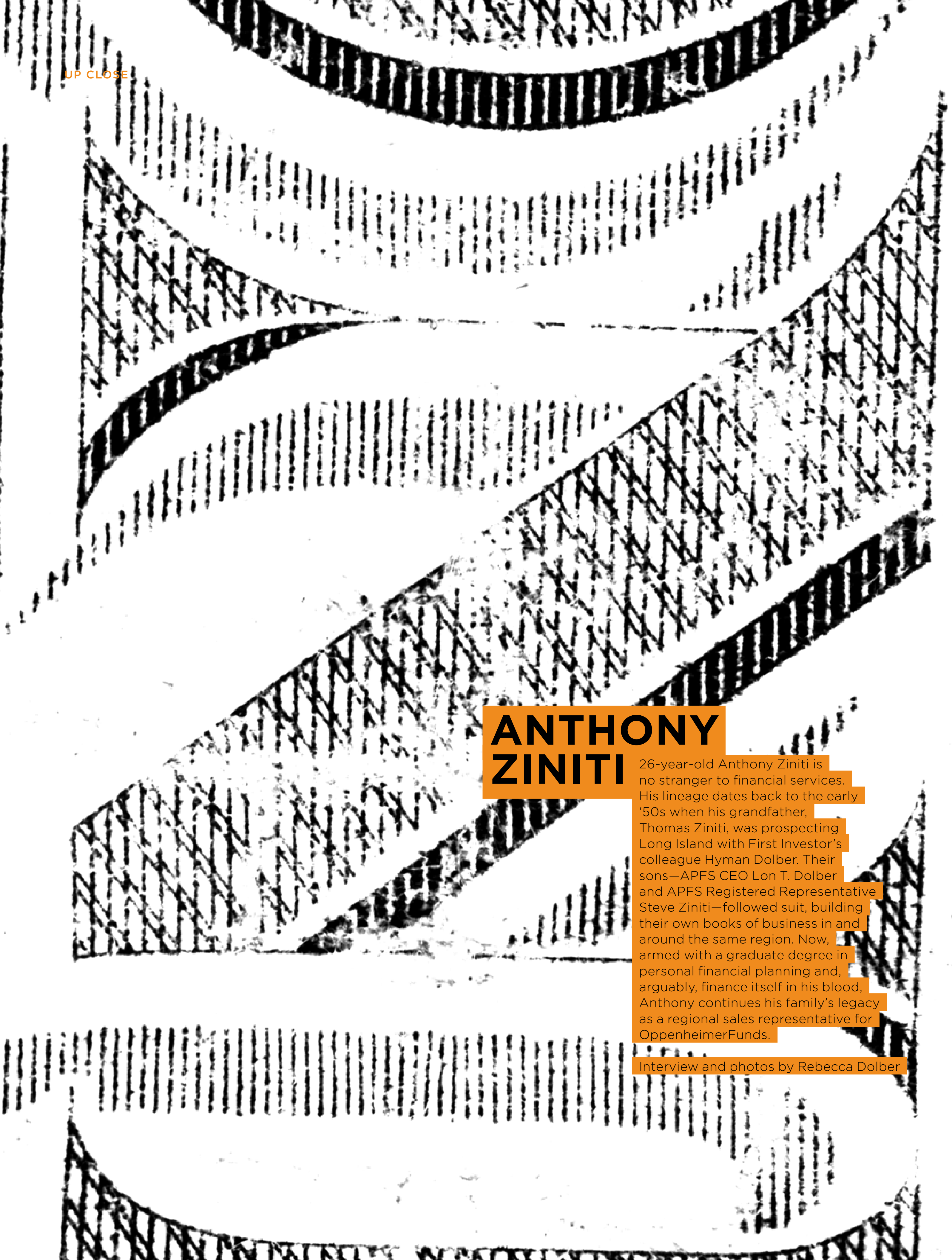
The views in this commentary do not necessarily represent those of APFS and are not intended as specific investment advice.



ANTHONY ZINITI

26-year-old Anthony Ziniti is no stranger to financial services. His lineage dates back to the early '50s when his grandfather, Thomas Ziniti, was prospecting Long Island with First Investor's colleague Hyman Dolber. Their sons—APFS CEO Lon T. Dolber and APFS Registered Representative Steve Ziniti—followed suit, building their own books of business in and around the same region. Now, armed with a graduate degree in personal financial planning and, arguably, finance itself in his blood, Anthony continues his family's legacy as a regional sales representative for OppenheimerFunds.

Interview and photos by Rebecca Dolber

FREE: **Tell us about your family's history.**

Anthony Ziniti: My grandfather came into the business in 1952, cold-canvassing strip malls, actually, with Lon Dolber's father. They would just knock on doors, selling one of 70 mutual funds before there were 5,000. It took him a little while, but he did eventually become successful.

FREE: **How did your dad get involved in the business?**

AZ: My father had several jobs, including hearing representative, fur coat salesman and private investigator. But at 28, he joined my grandfather at First Investors. He stayed there eight years, but my father really wanted to build his own business. He learned a lot from my grandfather, who showed him the ropes, but he didn't take any of his clients. He built his own book and left to join Nathan and Lewis. Four or five years later, my grandfather moved there, too, and they developed a joint-client newsletter. As my grandfather grew older, he started to work less and became more of a consultant, not going out on as many appointments. My father started going to the meetings, got to know the clients and, eventually, when my grandfather did phase out completely, he took his clients over. So it wasn't like my father came into the industry and was handed his father's book of business.

FREE: **When did they both make the transition to American Portfolios?**

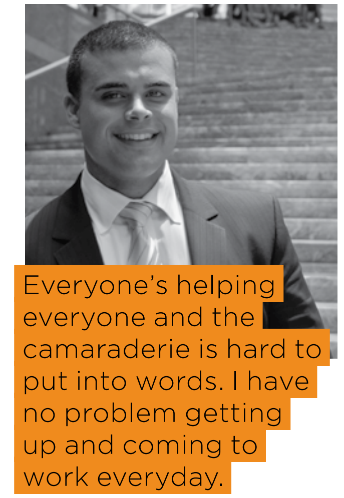
AZ: Lon was talking to my father when he first opened in September 2001. My father didn't want to move over just yet, but Lon continued to point out the advantages in changing B/Ds. It was in mid-2002 that he decided to make the move. It was an easy transition and he's been there ever since—he says it's the best broker/dealer he's ever worked for since he's been in the business.

FREE: **Did you ever think you'd work in financial services?**

AZ: Yes. My dad was always talking to me about the business. I didn't really pay much attention, though, because I wasn't sure what I wanted to do—especially during high school. I was just trying to figure out what college I wanted to go to. But I picked entrepreneurship as a major at Quinnipiac University, which covered finance and international business. Whether I decided to go into financial services or not, I knew I could run my own business with that degree.

FREE: **How did you ultimately end up as a regional sales rep for Oppenheimer?**

AZ: When I was in college, I'd come home for breaks and my dad and I would go out to dinner with my grandfather and Wendy Ehrlich. Now, admittedly, I was in college and getting ready for spring break, so I wasn't really paying attention to what was going on. I didn't quite understand the lingo when they were talking, but the purpose, I knew, was to get some exposure. We did that several times throughout my college years and, when I graduated in 2006, I started working for an insurance company; at the same time, I began pursuing my MBA at Molloy College. I wanted the work experience, something that dovetailed with my MBA. When I felt I got into a groove, I decided to move into the financial services industry and approached Wendy. I thought Oppenheimer would be a good place for me to learn and grow, and she also thought I'd do well there. She suggested I take my series 7, which APFS sponsored me for while I was working in my father's branch office. I passed in February 2008, got an interview at Oppenheimer in the beginning of March and was hired on April 7 of that year.



> Everyone's helping everyone and the camaraderie is hard to put into words. I have no problem getting up and coming to work everyday.

FREE: **Sounds like your father was supportive of you entering the financial services field.**

AZ: Absolutely. He was a big advocate of mine; he was the one arranging the meetings. When I was in college, I didn't want to be going out to dinner with wholesalers or with my dad, but he pushed me. He said, I know you're in college, but this is what you are going to be doing. Once I graduated, opportunities were there and I'm very grateful he was persistent.

FREE: **Did you catch any slack from your colleagues about having some doors opened for you?**

AZ: Not at all. That was another reason I decided not to go into business with my dad. First of all, he never would have handed me anything. That's just how he is. He'd say, if this is for you, you are going to go out and find your own clients and then, maybe when I retire in 10 or 15 years, we'll work out a deal. I also wanted to make my own way, and I found that this is a good side of the business. I'm very happy to be here.

FREE: **Do you think having family in the business gives you a different and/or better perspective on financial services?**

AZ: It absolutely gives me a leg up. Some people can only just read about history—I had someone telling me first hand. I get to hear it from the horse's mouth. My father can tell me what he did, how he mitigated some of the damage or how he excelled when things were good. He's been in the business for 33 years and seen a lot of up and down markets, so to hear it from him, rather than hear it somewhere else, means a lot.

FREE: **Do you feel a responsibility to fill the shoes of your father and grandfather?**

AZ: Absolutely, everyday. They're intelligent, straightforward gentlemen and to live up to that has always been something I want to do.

FREE: **What's your opinion on the current financial markets?**

AZ: I read a lot of non-establishment stuff, which I get from my father, via my grandfather. From what I'm hearing, seeing and reading, I just feel like there could be another shoe waiting to drop. We had a really big run up last year. It just seems like everything's ahead of fundamentals and there could be another pull back; not just a 10 percent correction, but maybe a little more than that. The country, the world, is still in a lot of trouble, especially with all the debt that we're accumulating. I think there are still big problems we have yet to face. Just because the market ran up for eight months last year, doesn't mean we are out of the woods. So, I'm just cognizant of that and a little weary of what's been going on. But you always hope that you are wrong.

FREE: **What is it like working with Wendy Ehrlich?**

AZ: Oh, she's fantastic. She has a very big personality, and we work well together. We're always talking over each other, always cutting the other off, but it's just our personalities. She's very fun to work with. She knows so much and is so experienced; she's a veteran in the field. She's been in the business 23 years, and been wholesaling in our territory for over 17 years, so I have a lot to learn. I'm super excited to work with her.

FREE: **What is it like working for Oppenheimer, and why do you like the company?**

AZ: When I first came here, I was told the culture was like none other. At the time, I wasn't sure exactly what they meant, but it really is. When you come onto any sales desk, obviously it is going to be aggressive in some sense, but you really get a feeling of team aura here. Everyone's helping everyone and the camaraderie is hard to put into words. I have no problem getting up and coming to work everyday. I'm always excited.

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WAYNE SCHUMAN

KEEPING IT PLAIN & SIMPLE

STORY & PICTURES BY MELISSA GRAPPONE

THERE IS NOTHING complicated about Wayne Schuman. Stated better, Wayne Schuman does not complicate things. It's very simple. In his world, things happen for a reason; everything has a connection. His life's path is a continuous thread of people, events and experiences—all tied together in some way or another—that, while seemingly unrelated, have led to positive outcomes, not the least of which is a successful and personally rewarding career in financial services.

Bloomington, Ind., is where it began and remains for this tried and true "Hoosier" from America's heartland. "I'm stuck. I stretched the rubber band as far as Waterloo and Cedar Falls, Iowa, but it didn't break. I just came back here."

Tucked away in the rolling hills of southern Indiana, 50 miles south of Indianapolis, Bloomington has seen a lot of changes. In the early 1800s it started as a timbering, limestone-mining town and home to Indiana's first educational state seminary—now Indiana University (IU). After World War II, the town became a suburban mecca for relocated inner city manufacturing plants like RCA, General Electric, Westinghouse and Otis Elevator. But when all of that went away, what remained was a burgeoning university system and entrepreneurial spirit, resulting in what is now an economically and culturally thriving urban oasis. With a population of some 71,000 residents (not including the 40,000-plus students who attend IU), Bloomington is a perfect blend of culture, political activism, community and nature. According to National Geographic, it's considered one of the best places in America to live, work and play, keeping Schuman and many others planted in "B-Town."

The once famed Graham Plaza Hotel is now the home of Wayne R. Schuman & Associates and APFS' Bloomington, Ind., branch office. It rests on North College Avenue, a tree-lined, main street running southbound into the downtown area. Guests and clients who come to see Schuman will not be greeted in formal business attire; they will, however, be welcomed into an eclectic atmosphere of mixed colonial and contemporary furnishings, vintage bluegrass concert billing posters, framed black and white photographs and paintings done by local artists against a backdrop of brightly colored walls. Says Schuman, "If someone wants a coat, or a suit and a tie every time they come in, they're coming to the wrong place."

Schuman is a fixture in the community. You'll often catch him talking over lunch at "Bobby Too," or chatting with someone on the street—and rarely about business. Conversations might be about an upcoming blue grass festival or somebody hocking him to buy his 1926 Gibson Granada banjo; perhaps you'll hear him bantering with someone about the prior evening's cardio tennis workout.

That's pretty much how he has built his client base—through casual conversations or connections from his past. Schuman characterizes his clients less by their stages of investing and more by their areas of interest; two common threads that exist amongst all of them, though, are their independent spirit and good sense of humor. He finds most, if not all, of his clients like to be involved and are open to new ideas.

While Schuman received a degree in business from IU, he attributes his success in the business more to his younger ambitions as a musician and photographer than his formal education. His passion for bluegrass began at 14. A self-taught banjo player, he got involved in a following of bluegrass and folk music enthusiasts from IU's folk music department. Then, at the local music store where he worked, he met Robert Waller (interestingly the author of "The Bridges of Madison County"), who asked him to play some gigs with him at the local Holiday Inns in Bloomington, and in Cedar Falls and Waterloo, Iowa.

A series of events would unfold starting in 1968. A show they were playing one night caught the attention of the producer for journalist Charles Kuralt's television documentary series, "On the Road;" he was looking for some local flavor to perform "The Wabash Cannonball," a well-known American folk tune, as background music for the show's coverage of Amtrak's discontinuation of the area's 100-year-old train line bearing the same name. After appearing on the show, the duo was contacted by Bobby Kennedy's campaign manager in Indiana and asked to provide musical accompaniment for a day's train ride with Kennedy, who was doing political stump speeches along the way from Logansport to Ft. Wayne, Ind.

Schuman's budding interest in photography came about while waiting for an evening gig to start, again at a local Holiday Inn. He met up with the guy who did all the publicity shots of the local bands, including his own, which he now displays proudly on his office wall. He was offered a job helping out in the

"IF SOMEONE WANTS A COAT, OR A SUIT & A TIE EVERY TIME → THEY COME IN, THEY'RE COMING TO THE WRONG PLACE."

studio, picking up skills that he ultimately took back to Bloomington, where he opened his own photography studio. Says Schuman jokingly, "All connections came from music for me … although it sounds more like they came from a bar." He ran his studio for nine years, but closed the business after it "stopped being fun."

In 1980 Schuman hit the pavement, walking door-to-door to hand deliver his resumes to local brokerage firms in town. When nothing panned out, he moved on to Indianapolis. He walked into a Hilliard Lyons office, where the manager immediately recognized him from one of his shows at the Holiday Inn. The manager arranged for him to get a job at one of the local brokerage firms in Bloomington; he worked there for four years, until he started up Monroe Financial in 1984 with the financial backing of the Cook Group, a large, private medical manufacturing firm. Cooke started its own P&C firm in order to self-insure for product liability, and Monroe Financial handled all the entity's investments. In 1998, when the Cook Group decided to sell its interest in Monroe Financial, Schuman and his partner bought the B/D. They ran it for six years, until their affiliation with American Portfolios in 2004.

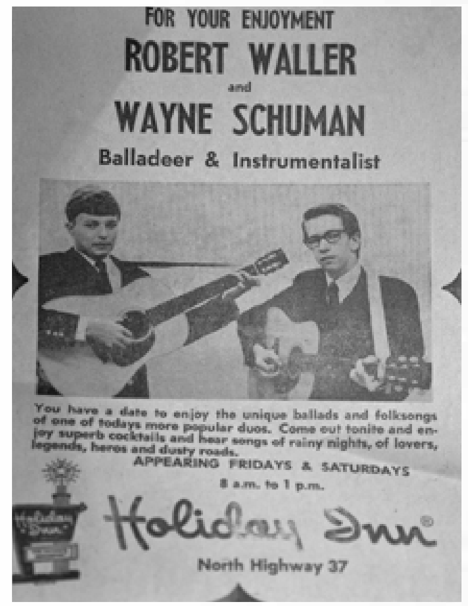
After 30 years of being in financial services—despite market turmoil and economic downturns along the way—Schuman will tell you he still enjoys the business. "It's the people contact. It's the help you provide. It is like a puzzle that you have to put together and every client's need is a little different."

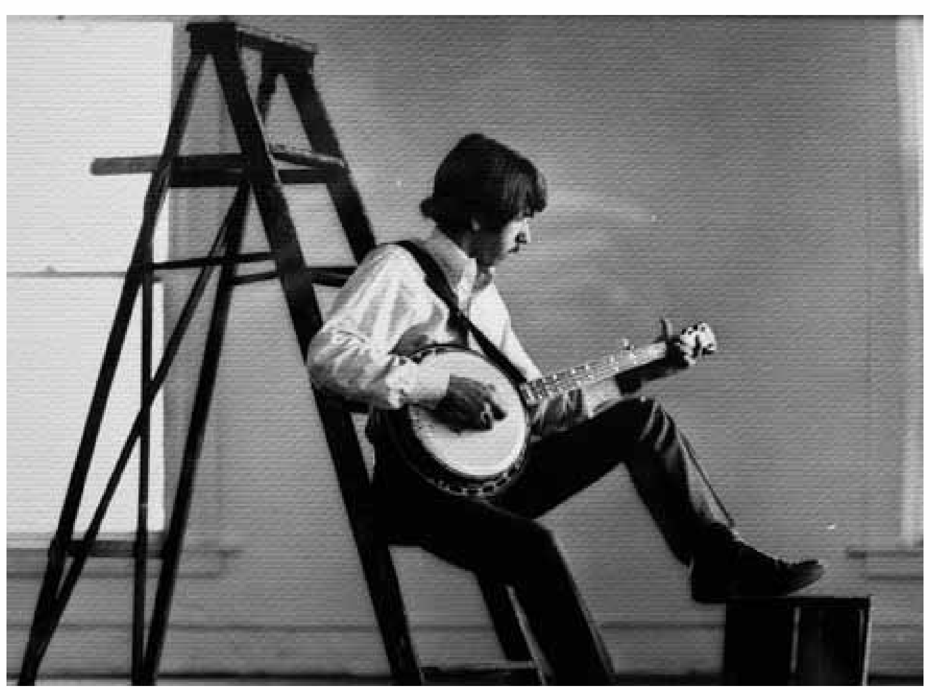
Schuman's ahead of the curve when it comes to managing expectations, particularly when it comes to difficulties in the market and the economy. Maybe it's because of a genuine belief that things are going to be okay, particularly if you make every effort to think that way. Or maybe it's because of a well established, mutual understanding between him and his clients. They know how he thinks—and vice versa.

Without question, Schuman is a "glass half full" kind of guy. In fact, you might catch him sporting a Life is Good cap with the "Half Full" patch on it. He might even be wearing a Jake and Rocket (the dog) T-shirt with the saying "Do what you like. Like what you do." That was the image drawn a few days after he came back from the 2008 American Portfolios National Conference in Las Vegas, when he traveled to Virginia to bring home his new dog. His wife, Maggie, drove the whole way back while he sat in the passenger seat with his new Labradoodle puppy on his lap, making client calls about the sudden price dip and temporary suspension on redemptions of the Reserve Fund.

Schuman's business has evolved over the years. What was primarily individual securities and covered-call writing has become more managed money, which he prefers and has had the opportunity to do since joining American Portfolios. He sees the advisory business as another possible solution for both his clients and his business. How he determines what is best for the client is based less on quantity and more on the relationship. He has no official account minimums. And if you ask him how many clients he services, he'll tell you that on some days it's not enough and on other days it's way too many. As he sees it, "At some point, there's probably a limit to the total number of clients that you can actually have. I'm not sure what that number is, but maybe it ends up being 100." These are the clients he feels he has the greatest rapport with and who he can best serve. Anyone else is likely to be transitioned out or passed onto someone else in the office.

"WHEN I GOT TO THE OFFICE, I FOUND THAT PEOPLE HAD A SENSE OF HUMOR; IN SOME CASES, SOME WERE A LITTLE MORE OFF THE WALL THAN OTHERS AND I THOUGHT, 'THIS IS JUST PER-FECT.'





That "someone else" is the camaraderie he enjoys through the small group of colleagues he works with at Wayne R. Schuman & Associates. There's Malcolm Webb and Monty Marsh, who have their own books of business; his wife Maggie, who currently provides administrative support to the office; and his son, John, who recently joined the group after passing his series 7 exam. While Schuman is not actively recruiting new reps, if someone were to come along unsolicited, he would not be opposed to them joining the group—provided the home office felt there was a fit and it was a good business decision, overall, for the B/D.

As a former owner of a B/D, Schuman understands what goes into making such decisions, and so he respects the direction of AP's senior management team. That perspective, in part, is what got him elected to American Portfolios' Advisory Committee. The committee, which meets quarterly, is comprised of affiliated representatives and managers who help senior management identify various needs and concerns in the field. Being on the committee also affords Schuman the opportunity to meet other affiliated colleagues and stay connected to the home office. That connection was first made and fused the moment he met CEO Lon T. Dolber over lunch at the local diner across the street from American Portfolios' headquarters.

For Schuman, going out to Holbrook to meet Lon and everybody in the office made all the difference. It was the small unassuming things—like being picked up at the airport by Lon, the soft drinks that came out seconds after they sat down at Lon's local lunch spot or sketching out a transition plan on a notepad right at the table while they were eating—that made American Portfolios feel like home. Schuman recalls, "When I got to the office, I found that people had a sense of humor; in some cases, some were a little more off the wall than others and I thought, 'this is just perfect.'"

Though the story ends here, it does not end for Wayne Schuman or his practice—not anytime soon.

As bluegrass legend Bill Monroe said of the music genre, "It's plain music that tells a good story. It's played from my heart to your heart, and it will touch you. Bluegrass is music that matters." And that is Wayne Schuman.

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CLIENT PROFILE

Toni Piazza

A manager. A bookkeeper. A BARBER? Antoinette “Toni” Piazza is the owner and manager of Toni’s Barbershop, a familial, neighborhood business in Westhampton Beach, N.Y., where the distinctive “barbershop atmosphere” is in abundance. As a client of APFS Registered Representative Bill Donahue, find out how Toni turned a so-called crazy dream into a thriving business.

INTERVIEW BY *Shauna K. Faulkner*
PHOTOS BY *Rebecca Dolber*

> "Sometimes it's hard and there are a lot of things that I never thought of—no more paid vacations or paid health benefits, and I can't call in sick—but I ABSOLUTELY LOVE IT."

FREE: A female barber is not typical these days. What inspired you to swim against the tide and start your own barbershop?

Toni Piazza: I've been a hair dresser and working in the industry since I was 16. I worked in high-end salons for many years and just got burned out by the people and, more importantly, I needed benefits. So I went back to school and began working for the Manhattan Mortgage Company; it was a great job. While working there, I had a side business where I went to people's homes at night to do hair, just to keep my clients. One night, a girl told me I should open a barbershop and only do haircuts—no chemicals. I kind of laughed, said that sounded like a great idea, but figured it was one of those things that would never happen. Well, it kind of snowballed and I ended up making a deal with myself that if I could find two identical antique barber chairs, I would do it. It became a fun thing on the weekends, shopping with my girlfriends and going to antique stores. Nothing ever came up until, out of the blue, a girlfriend told me that two antique barber chairs were being sold on eBay, out in California, and I should try to get them. I took the plunge and bid on them. It turns out I was the only bidder and, after talking to the owner of the chairs—he was a retired barber looking to travel with his wife—he sold them to me. It was really just one of those whirlwind things.

FREE: So that was the start. What other steps did you have to go through to open the shop?

TP: Well, of course I needed a location for the business, and this one kind of fell into my lap. I was jogging one morning and saw this building for sale. A friend of mine bought real estate for a living, so I convinced him to buy the building, with the ultimate goal that I would buy it from him. I was able to purchase the building after only a year and a half in business. Really, there was just so much to do; I didn't even realize it when I first started on this journey. I was only 26 at the time.

FREE: How did you make it work, especially at such a young age?

TP: Well, from the beginning, I was all in. I pretty much spent all of my savings and put everything I had into making it work. Even going into my 10th year in business, I still give it everything I've got. I do it all—I do hair, the bookkeeping and payroll, I mow the lawn, I do the gardening. When it floods, I'm the one that's pumping water out. I often have 12-hour days, or even longer, but, you know, it's my business. It wouldn't be what it is if I wasn't willing to spend the long hours here, making it what it is. Sometimes it's hard and there are a lot of things that I never thought of—no more paid vacations or paid health benefits, and I can't call in sick—but I absolutely love it.

FREE: What advice would you give to anyone else interested in starting their own business?

TP: My advice to anyone who is looking to open a business would be to have faith in yourself; really want it. Be prepared to work long hours and harder than you ever have in order to make it work. Complete dedication is necessary. More than anything, though, don't expect overnight success; be patient and diligent.

FREE: What do you feel is the biggest draw of your business that keeps clients old and new coming in the door?

TP: I think it's a mix of things. I have great people that work at the shop with me—Jessica is the other barber and my assistant, Alyssa helps out in every other way, really allowing us to get the haircuts done; we average about 55 cuts each day. We really have such a great relationship. I am extremely honest with both my girls and I think our customers can sense that. Then there are the dogs—Bernard and Mildred—who I bring to the shop with me every day. You know, I'm sure that I might have lost some customers when I started bringing the (hypoallergenic) dogs to work, but on the other hand, I know I have gained some customers, and the kids love them. I even fenced in the yard at the shop so they could run around outside. Customers will come to get their haircuts and will bring their dogs with them; what might normally be a routine errand has turned into a doggy play date. Really, that is just the atmosphere we strive for here. I'm flattered that my customers and people in the community think of me as the neighborhood barber and that they feel comfortable bringing their family and children—human and canine—to spend some time at the shop.

FREE: Considering that you work in a small community, what is your business philosophy?

TP: I like to do business with the people that do business with me. I feel like, in order for small businesses to grow, you have to keep your money in your small community. In a community like ours, it's important to support the other businesses. I would much rather go to the local hardware store than to Home Depot. Not only might you end up paying less, but the people at the store know you and your business. And, sometimes, they return those favors, coming in for haircuts or bringing their children. It's how we survive.

FREE: Is that how you came to meet (APFS affiliated colleague) Bill Donahue?

TP: Yes, Bill had been coming here for awhile, but I was with another financial professional. This person was investing my money and I wanted to know where it was going and what it was doing, but after awhile I felt like he got tired of me calling with questions. When Bill would come in, he was so easy to talk to. He has a large family and a couple of kids, and I felt very comfortable with him since I came from a large family, too. His brothers come here and I know his whole family. I was very at ease with Bill. So, one day, I approached him and asked if I could talk to him about my situation; he agreed and was very straightforward and friendly about the whole thing. I felt like I could really talk to him, that I could trust him. For me, it was all about the comfort level. I'm so happy with Bill and his work. I highly recommend him, and Jessica and my fiancé Shawn now use him. And, again, it's about keeping the business local and helping each other out.

FREE: I understand you also met your fiancé through shop business?

TP: I did. I needed a dumpster and called the sanitation business he owns. Well, it was after five o'clock and he was done for the day, but I begged him and he agreed to deliver the dumpster. When he came to bring it to me, I gave him my business card and said if he ever needed a haircut, to come and see me. He has pretty much been a customer ever since! It's amazing, this building and business has brought me everything. It really did. It brought me a lot of independence and the love of my life.

FREE: What are your plans for the future?

TP: Well, I'm getting married in October and am busy planning for the wedding. As far as work, you know, I own the building and just don't see myself going anywhere. I really do love it and I love being part of this community. My hope is that I'll be here for a long time to come. I really don't want anything else than this right here.

Q&A

BERNEY HARRIS

NEW YORK CITY-BASED APFS REGISTERED REPRESENTATIVE **BERNEY HARRIS** IS NOT YOUR TYPICAL WALL STREET BROKER; HE'S AS COLORFUL AND ECLECTIC AS THE ART HE CREATES OUTSIDE OF HIS FINANCIAL SERVICES PRACTICE. IN THIS ISSUE OF FREE, HARRIS LETS US INTO HIS LONG ISLAND BUNGALOW TO SNEAK A PEEK AT SOME OF HIS INTERESTING AND CURIOUS CREATIONS.

FREE: How did you get started in the business?

Berney Harris: I was a finance major at the University of Missouri and, after two years in the Navy, I joined EF Hutton as a securities salesman, or a stockbroker as it was called in those days. It was 1962 and I was 24 years old. My father was a stockbroker and I first learned the business through him.

FREE: What were your days like at EF Hutton?

BH: I went to work at 9 a.m. and came home at 9 p.m. My business was built strictly on cold calling, as it was in those days. There weren't any computers in 1962, so everything at the New York Stock Exchange was sent through pneumatic tubes. The feeds would come down from the various brokerage firms, down to the trading floor and over to a trader's desk. They actually shut the New York Stock Exchange down one day a week to process all the business because [as I mentioned] back then, there were no computers.

FREE: So you built your business on cold calling? Who are your clients and what kind of business do you do?

BH: My clients are small business owners, executives and individuals looking to have a good retirement. I've gotten to know small-cap and micro-cap stocks that have done very well for me and my clients. Also, I'm basically one of the first believers in annuities with living benefits. I saw the importance of it and I'm one of the few people who does a lot of work with covered calls to increase income for retired people. I think other people follow too many trends. I don't think the word "risk" is analyzed anymore; it's such a flimsy word, "risk." I don't think people understand that by buying a leap (call), you can limit your risk by reducing the downside in a bad market. It has less risk than buying the underlying stock outright. It's about understanding the business and I don't think the average person does.

FREE: Do you think that's partly the problem with our bigger economic situation?

BH: No, I think the problem on Wall Street is that the people who analyze don't know what they're talking about; they're just talkers and they don't really know how to analyze a company. That's what happened with all these bonds—they didn't analyze them properly and it killed the economy. They make this big money, but I don't think half these guys know what they're doing.

FREE: Do you have a personal investment philosophy?

BH: I differ from most people on my investment theories, basically on two parts. All these programs and analysts put out vast target prices with no facts behind them. I'll never buy a stock that someone is using as a promotion because they can fall as quickly as they go up once the momentum dies. I basically look for stocks that are just the opposite.

My philosophy is taking advantage of small-cap companies that are making money and that have a good balance sheet. That has proven very successful for me—analyzing companies regardless of their size. I also think that too many brokers look at capitalization for determining their stock, instead of looking at the individual company. People tend to look at the size of the capitalization, which has no bearing on the company's earnings or on their balance sheet. It's just what people think the stock is worth. History has proven that sometimes buying too much capitalization over price stocks has proven more costly than buying valued stocks and just looking at the company and what they're selling for. You've got to look at the value of the company.

FREE: Is it true that you actually left the business after working at EF Hutton?

BH: Yes, I left the brokerage business to start something called Glass Masters, a stained glass company which did all the reproductions for the Metropolitan Museum of Art. That was a wonderful part of my life because I was doing something tangible versus work that was based on emotion.

FREE: So how did you end up back in the business?

BH: Well, after Glass Masters, I went into the energy conservation business and actually designed a couple of energy efficient light fixtures that were marketed for a period of time before they were copied by bigger companies. It just so happened that my wife knew Jay Lewis [former president of Nathan & Lewis Securities] from a long time ago, and Jay suggested that I come back into the brokerage business. So I came back and did both jobs part-time.

FREE: Why did you initially leave the business? Were you feeling that artistic tug?

BH: Yes, and seeing how my dad suffered through up and down markets, I knew I couldn't be a broker all my life; it would tear me apart too much.

FREE: Tell me about your artwork now?

BH: About 20 years ago, a storm came through my property and knocked the top off of a tree; that's how I started carving totem poles. I was inspired further when I went out to Taos, N.M., and saw some wood carvings. But it was when I was in Thailand—when I saw a long, narrow piece of carving—that I was drawn to do what I'm doing now, something I call "Stick Art."

"I THINK THE BEST PIECE OF ADVICE I GOT WAS FROM MY FINANCIAL TEACHER IN MISSOURI. HE WAS ALSO A NAVAL OFFICER. I PICTURE HIM SMOKING HIS PIPE AND TELLING ME TO **GET ON THE BIGGEST SHIP AND GET LOST.** AND THAT'S EXACTLY WHAT I DID."

FREE: Was your creative ability fostered by your parents, a teacher, anyone you can remember?

BH: Not really. The funny thing was I was on an aircraft carrier when I started painting. I would copy impressionist paintings while on the ship.

FREE: Painting on an aircraft carrier? Weren't you an odd duck out there?

BH: When you're out to sea for six months there's nothing much to do except drink coffee, which I didn't do, and eat and get fat, which I did do. So, I started painting just to do something and ward off the boredom.

FREE: What inspires you?

BH: Nothing really, just being creative is what I like—looking at something and making it into something else. Half my stuff is from driftwood that I pick up and say, oh, this is a duck or this is whatever it is. Producing from there is what works for me. I enjoy just taking a log, looking at its natural colors and making it into a huge totem pole.

FREE: What's the best piece of advice you've gotten?

BH: I think the best piece of advice I got was from my financial teacher in Missouri. He was also a naval officer. I picture him smoking his pipe and telling me to get on the biggest ship and get lost. And that's exactly what I did. It was the time of the Cold War and I got on the USS Independence and spent two years in the Mediterranean. I had a great time.

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

BH: Well, I keep working on my art and everyone keeps telling me to have a show, so maybe I'll do that. As for the business, I just want to keep growing it in a conservative way. I want to keep trying to show people the importance of annuities with living benefits, because they're the key to the future of 401(k)s and IRAs. At retirement, income is more important than assets.

FREE: Where can people go if they'd like to take a look at your Stick Art?

BH: They can go to www.bh3stickart.com.

FREE: Thanks for your time, Berney.

BH: Thank you.

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

INDEPENDENT PORTFOLIO CONSULTANTS

BLUE SHORES CAPITAL

A Unique, One-Account Solution

BY ALAN BUSH *Chairman and CEO*

WHO: Blue Shores Capital, the proprietary money management division of Independent Portfolio Consultants Inc. (IPC)

WHAT: Blue Shores Capital participates in IPC's Select Managed Assets Program (SMAP) as a separate account money manager. Blue Shores is a boutique investment management unit that specializes in global, opportunistic, multi-cap equity and balanced account investment management. The equity strategy primarily invests in individual stocks and ADRs; however, ETFs are utilized at times to gain tactical exposure to certain equities, commodities, currencies or short positions. Client portfolios are composed of large, mid and small cap stocks utilizing both growth and value strategies, as well as a high dividend international stock strategy. Fixed income allocations are implemented entirely with ETFs. The investment strategy has both strategic and tactical elements to it.

WHERE: Available on the Pershing platform, through Pershing Advisor Solutions, LLC

WHY: Gain back valuable time; leverage your practice; increase fee income. There are two ways to approach portfolio management for your clients: 1) Do everything yourself, or 2) Delegate the investment management function and strictly manage the client relationship. Most financial service representatives execute both strategies in their practices. Blue Shores Capital is specifically designed for that portion of your practice in which you delegate the investment function to an outside manager.

Blue Shores is a highly attractive offering as a "one-account solution." All liquid major asset classes are addressed in the client's one account and all investment decisions are reviewed daily by the Blue Shores chief investment officer, in conjunction with the chief equity strategist, relieving the financial service representative from such decisions and saving valuable time. The representative determines the client's fee through "add-on pricing," insuring that the client pays a fair fee and the representative receives a reasonable fee for services rendered. The Blue Shores team proactively communicates with the representatives on a regular basis, effectively keeping them "one step ahead" of their Blue Shores clients. Finally, the client receives one comprehensive 1099 for all investment activity within his/her Blue Shores managed portfolio.

WHEN: Available now

COST:

AUM[1]	IPC[2]	Max. to the Client	Gross Dealer Conc.
First $250,000	1.30%	2.25%	0% - 0.95%
Next $250,000	0.80%	2.25%	0% - 1.45%
Next $500,000	0.60%	1.75%	0% - 1.15%
Thereafter	0.60%	1.50%	0% - 0.90%

[1] *Minimum individual account size is $200,000*

[2] *Includes all transaction fees and Blue Shores management fees*

GETTING STARTED:

Visit www.blueshorescapital.com

Contact Maribeth Bates, director of marketing
Voice: 561.912.1066 / Toll-free: 800.346.4570
E-mail: maribeth.bates@IPCanswers.com

Maribeth will arrange either a video conference or telephone conference with senior investment personnel at Blue Shores Capital. You need to speak directly with the Blue Shores capital investment strategists in order to understand the Blue Shores hedging philosophy. In an anticipated worst-case scenario, Blue Shores may manage the portfolio to a net neutral position, i.e. a portfolio that is "50-percent long" and "50-percent short."

For a client proposal, fill out a client proposal form and submit it to Blue Shores.

For a client proposal AND signature ready, new account paperwork, fill out a client proposal form and an investor profile. Attach all necessary new account supporting documents and submit to Blue Shores.

USING THE PROGRAM:

We believe that it's far easier to save a client than to find a new client. Consequently, Blue Shores is deeply committed to frequent and meaningful communication with all financial service representatives who have a Blue Shores managed account client. The better you know and understand Blue Shores, the more value you add to your clients' discussions concerning their Blue Shores managed accounts. The more value you add, the longer lasting the client relationship.

INFORMATION FLOW

SERVICE	REP	CLIENT	DELIVERY METHOD
Blue Shores Capital Web site	Yes	Yes	24/7 Access
Advisor Weekly Notes	Yes	No	E-mail & Web site
Monthly Strategy Notes	Yes	Yes	E-mail
Special Notes	Yes	Yes	E-mail
Quarterly Financial Advisor Conference Call	Yes	No	Conference Call
Replay available two weeks later @ Web site	N/A	Yes	24/7 Web site
Client's Personal Quarterly Performance Report (Includes 5-7 page Quarterly Review and Outlook)	Yes	Yes	Paper & Web site

FOR MORE INFORMATION, CONTACT:

Maribeth Bates, director of marketing
Voice: 561.912.1066
Toll-free: 800.346.4570
E-mail: maribeth.bates@IPCanswers.com

Crump
Life Insurance Services

UNDERSTANDING BEHAVIORAL ECONOMICS IN THE ADVANCED LIFE INSURANCE SALES MARKETPLACE

By Jack Elder, JD, LL.M (Taxation), Attorney, Advanced Sales

UNDERSTANDING BEHAVIORAL ECONOMICS in the advanced life insurance marketplace may help you to improve your sales presentations. In its simplest terms, the behavioral economic theory attempts to explain why consumers make irrational financial decisions—that is, the theory tries to make psychological sense out of why purchasers' decisions are not based solely on dollars and cents. In that regard, behavioral economists have identified numerous non-economic factors that affect buyers' life insurance decisions, such as a false feeling of invulnerability, regret, fear and love, as well as other preferences and aversions. Paying heed to these factors may pay dividends in the advanced sales marketplace.

Applying behavioral economic principles to sales presentations is not a new concept. For instance, an internet search of "life insurance" and "behavioral economics" yielded 20,500 results. Moreover, study of behavioral economics in the life insurance industry is so prevalent that Life Insurance and Market Research Association International (LIMRA) even created a quiz in 2006 entitled, "How Do You Feel About Life Insurance?" in order to discover more about purchasers' attitudes toward life insurance.

In order to illustrate how understanding behavioral economics in advanced markets may enhance your sales presentations, I adapted LIMRA's quiz to the advanced market. The following three statements are non-economic objections to purchasing life insurance. Following the statements I attempt to illustrate how using behavioral economic principles may help you overcome these objections.

1 *Given the amount of my wealth, I feel that my children will be well provided for, whether or not I purchase life insurance.*

2 *Understanding complex life insurance products and complicated estate planning transactions is too much work for me.*

3 *Life insurance is probably a good idea, but I do not want to part with the money needed to fund the premiums.*

WHAT DOES BEHAVIORAL ECONOMIC THEORY TELL YOU ABOUT THESE STATEMENTS?

STATEMENT 1

Behavioral economists have concluded that individuals tend to underestimate their vulnerabilities. If an individual feels invulnerable to hazards, then protections against vulnerabilities are seen as unneeded. The fact of the matter is that all individuals, particularly the ultra-wealthy, are exposed to numerous risks that may prevent or substantially diminish the passage of their wealth to junior generations. However, if the salesperson applies behavioral economic principles in this scenario, he or she will ask the prospects whether they know anyone whose wealth was diminished due to failure to plan. If they answer yes, it demonstrates to them the weakness of their current position. Those who become aware that they are exposed to risk of loss are more prone to purchase insurance.

STATEMENT 2

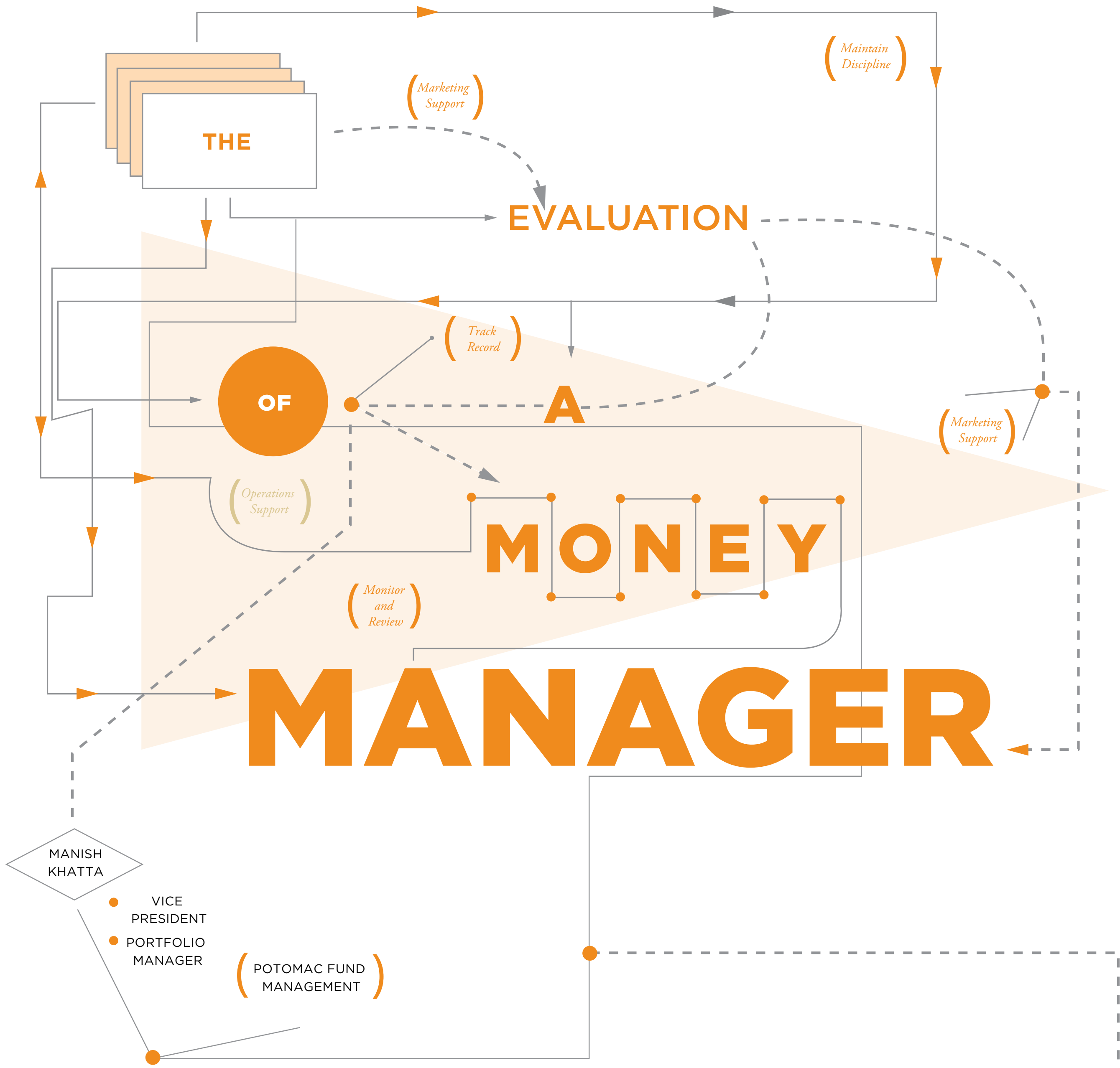
The wealthy individual in statement two does not want to make the effort to understand sophisticated life insurance products and intricate estate planning transactions. Under the behavioral economic theory, the producer should show numerous planning approaches, rather than just one. People prefer having choices, such as simple, moderately complex and highly sophisticated. Behavioral economists teach us that buyers are averse to having only one option (or only options they cannot understand). If a potential buyer has the power to choose among several options he is more likely to purchase life insurance.

STATEMENT 3

Behavioral economists have discovered that the pain of loss is more powerful than the pleasure of gain. As such, individuals often view premiums as immediate losses and undervalue the advantage of a death benefit to their family when they ultimately pass away. Behavioral economic principles suggest that the sales presentation focus on the consequences of the financial loss to the buyer's heirs when he dies. A comparison of the immediate loss (i.e. the premium payments) versus the loss at the prospect's death is helpful. In addition, LIMRA's study showed that consumers reacted more favorably to discussions of premiums on a monthly, rather than annual, basis.

CONCLUSION

Those producers who work in the advanced marketplace should consider re-evaluating their sales presentations with behavioral economic principles in mind. There are many non-economic factors that impact a buyer's decision-making process. Understanding those factors and how to address them can lead to improving your sales presentation.



"TRUST BUT VERIFY" was a signature phrase of President Ronald Reagan. He used it on many occasions throughout his presidency, from discussing the economy to relations with Russia. This same catch phrase should be the building block for how investment advisors select a money manager. Although the amount of fraud recently uncovered is reaching alarming rates, these managers are just a few bad apples giving everyone else a bad name. Money managers, in general, are honest, trustworthy people who want to provide advisors with the best possible product. However, there are some important aspects to research when deciding on a money manager. If you ask a lot of questions, the truth will eventually come out.

Some of the items that you must research when selecting a money manager are the length and depth of the track record, the investment committee, and the operations and marketing support.

TRACK RECORD: *Length and Depth*

This is by far the most important aspect of choosing a money manager. It is very possible for any money manager to succeed over a short-term basis through nothing more than a couple of timely market moves. However, the ability to succeed over the long-term requires true investment discipline. Look for money managers with an extensive long-term track record that must start with the inception of the firm. Money managers will close strategies over the years, sometimes for very good reasons; however, it is prudent to examine how this affects the overall long-term track record. For example, if the firm you are researching started in 1985, but only has a track record going back to 2000, what happened over the missing 15 years?

Investment advisors should never, ever use a product that reports hypothetical results! In this day and age you can optimize any computer trading program to give you the desired back-tested results. However, in the real world, back-tested results are not even worth the paper they are printed on. At a minimum, the performance should reflect the use of an actual account. Although longer track records may not be able to meet this standard, try to ensure the track record has been verified using an industry performance standard, such as GIPS (Global Investment Performance Standards).

INVESTMENT COMMITTEE

One of the most important aspects of the investment committee is access. Are you able to pick up the phone and speak to a member of the investment committee? A common myth is that the larger and more credentialed an investment staff is, the better the decisions will be. You can have 100 CFA's, but at the end of the day only one decision has to be made, and that is whether to buy or sell.

OPERATIONS SUPPORT

Do you enjoy calling your cable or wireless company? If the answer is yes, you are definitely in the minority. It isn't that the people answering the phone are rude and nasty, but rather the amount of frustration one endures just to get to the right department. Once you get to the right department you will most likely have to repeat yourself multiple times in order to get an answer, or be transferred between multiple people. The key to great operations support is people. At the end of the day you want someone who is going to answer the phone and be able to assist you right away.

MARKETING SUPPORT

A great money manager is most likely not a great marketer. Don't expect the money manager to proactively help you raise assets, as that is not their job. Their job is to manage assets and provide your clients with the best return for the least amount of risk. However, they should be able to provide you with timely market commentary and presentations to help explain the process. They also should be able to help support your marketing efforts, whether that is presentations, seminars or just someone to bounce an idea off of.

After you conduct your research and decide on a money manager, you can then begin to add clients. However, the work does not stop there. Here are some helpful tips to follow after you sign up with a money manager:

MAINTAIN DISCIPLINE

Don't switch to a better performing strategy or manager just because of performance during a specific period. Look at the long-term track record over both up and down markets. At times, one strategy may be going up while a different strategy is going down. That alone is not a reason to give up a near-term losing strategy. What you can do is monitor losses and make sure they have not exceeded previous historical losses in the strategy; if they do, it is still not a reason for switching strategies. Discuss the situation with the managers and make sure there is a reasonable explanation and that no changes have been made that you were unaware of.

MONITOR AND REVIEW

Monitor your investments but not so closely that your emotion overtakes the ability to reason. Watching daily fluctuations in your portfolio is apt to make you lose your objectivity. A good money manager does this for you. A good one is not insensitive to market movements that are adverse to the positions taken, but is also not apt to make decisions solely on those movements. The difference between a good manager and an ordinary one is measured in the day-to-day experience in the trenches and having confidence in the analytical tools that help the good money manager maintain objectivity at the seemingly best and worst of times.

Periodically review the overall performance of the mix of strategies with your advisor. They should be providing a better risk-adjusted return than the market indices and, over the long-term, a better return than the market indices. You may have to look at a five to 10 year period to make a sound judgment.

THE LITTLE BROWN BOOK

by Lon T. Dolber, CEO

I present you with the second-quarter 2010 performance results for American Portfolios. 2009 second-quarter revenues and fees of $23,347,634 increased significantly by 49 percent from second-quarter gross revenues and fees received in 2009 of $15,696,614. Assets under management for the firm were equally impressive, with a 40 percent increase from the second quarter. A historical analysis of the quarterly performance results shows that 2010 second-quarter revenue figures were almost $13 million more than the total gross revenues received in the firm's first full year in business ($10.3 million in 2002) and approximately $6.9 million more in gross revenues received for all of 2004. These positive performance results can be attributed to a slow but increasing return of confidence in the market and additional incoming business from fully up-to-speed colleagues who joined the firm at the end of 2009.

It's late on a Friday afternoon and I still have 25 unopened e-mails, not to mention five calls I need to make before I can put the day's work behind me and head home. Leaning back in my chair, needing to take a break from the day, I notice a book peeking halfway out of my bookshelf. It's my father's business book from 1975, containing all of his appointments, schedules and notes. My father's been gone for almost 12 years, and I have never opened that little brown book until now.

I PUT DOWN THE BOOK, ITS MUSTY PAGES STILL HOLDING A TRACE OF HIS SCENT, AND BRING MY HANDS TO MY FACE. MY FATHER IS WITH ME AS I TURN BACK TO MY WORK … ANOTHER THREE HOURS, **NO PROBLEM.**

January 1, 1975 – New Year's Day, and my father has two appointments for 6:30 and 9:30 that evening. He noted lunch for the day at $10.50. Further investigation reveals weekly patterns; client calls on Mondays, managers meetings on Tuesdays and sales seminars on Wednesdays. Thursday mornings there are no appointments scheduled, and then I remember why—every Thursday, he and my mom would go food shopping together, a simple but sweet date he never missed. Fridays were for prospecting, primarily at shopping malls throughout the New York metropolitan area.

Friday, March 14, 1975 – A familiar name; Tom Ziniti, father to longtime friend and APFS Registered Representative Steve Ziniti, whose son, Anthony, just started working as a regional sales rep for OppenheimerFunds. At 12:30 p.m., they went to canvas Smithaven Mall. By 1975, my father had already worked 20 years in financial service, but still he felt it was important to prospect for new business. The thing about my father—which made him not only a great salesperson but, more importantly, a great man—was that he loved meeting new people. He loved this business and approached his work with both a missionary zeal and a sense of obligation to those who needed help with their financial future. He was always available to serve etheir needs, even on Saturdays and Sundays; this was reflected in the scribbled pages of the little brown book. He traveled 38,750 miles in 1975, spent $2,475 on lunch, $1,245 on parking and tolls, and, most impressively, wrote $1 million in new business.

I put down the book, its musty pages still holding a trace of his scent, and bring my hands to my face. My father is with me as I turn back to my work … another three hours, no problem.

While the economic times of 2010 are different from that of 1975, I am reminded that there is no substitution for sweat. In a service business such as ours, hard work combined with a mighty passion for what we do will see us through most anything. I encourage all of you to approach each day with a renewed sense of pride for the privilege to be in a position to help those in need of our services.

Lon T. Dolber
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2010 QUARTERLY REVIEW

April 1 – June 30, 2010

The second-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 79 employees (70 full-time, five part-time and four consultants) supporting 728 registered representatives, which includes 66 registered assistants and 25 registered employees as of June 30, 2010.

FINANCIAL OVERVIEW:
Second-quarter gross commissions and fees of $23.3 million were higher than the second quarter of 2009—a 49 percent increase of $7.7 million from $15.7 million. Gross revenues for the firm have increased over 15 times since the fourth quarter of 2001 ($1.6 million in 4Q 2001 to $23.3 million in 2Q 2010). In an across-the-board analysis of products and services offered through American Portfolios, managed accounts, variable annuities and general securities had the highest increases of 93 percent, 72 percent and 70 percent, respectively, from the second quarter in 2009 (Table 1). Assets under management increased significantly by 40 percent from $8.2 billion in the second quarter of 2009 to $11.5 billion in the second quarter of 2010. (Table 2).

Fig. 1

Gross Commission & Fee Revenue *(by quarter)*

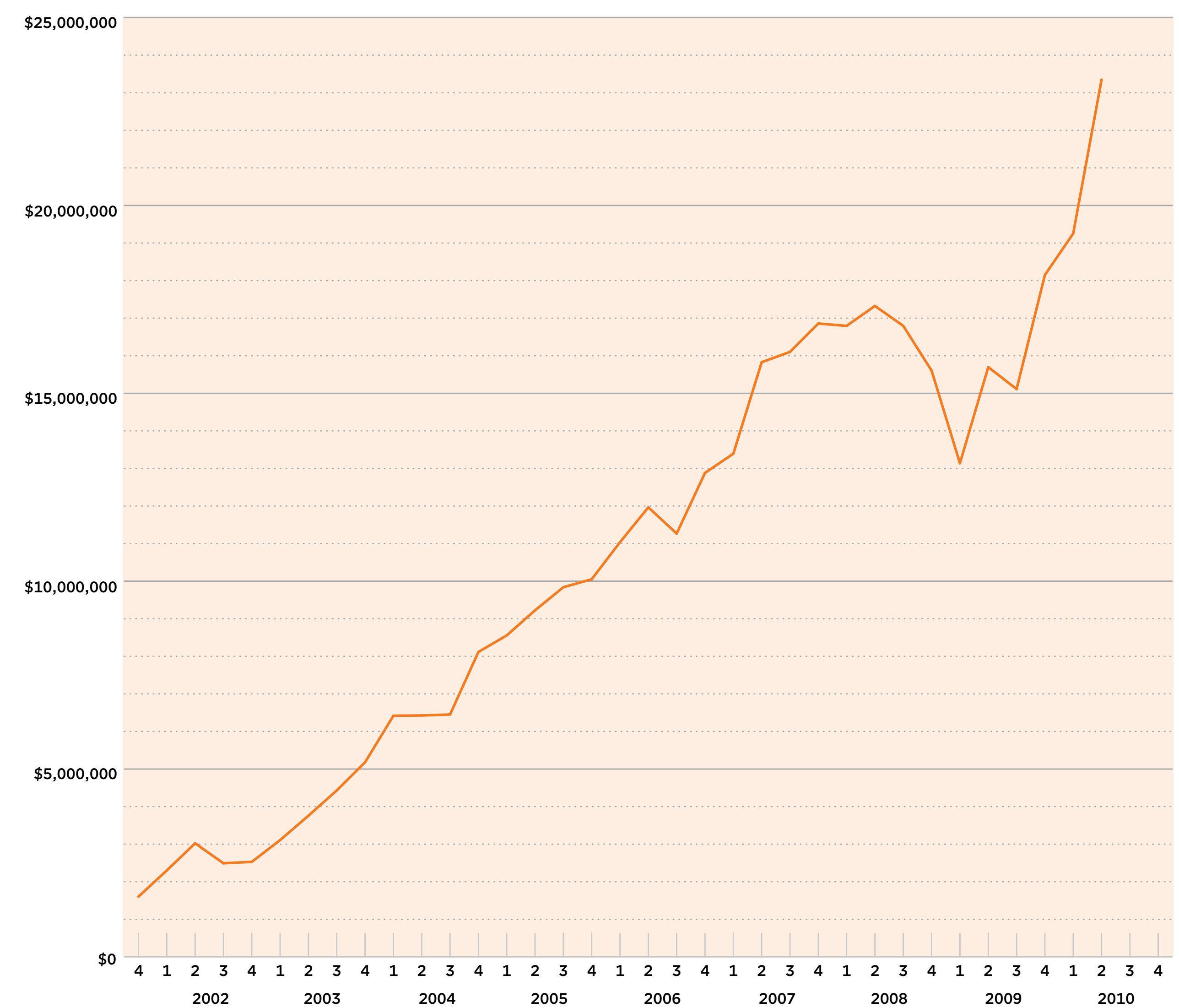


Table 1

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
2010 2Q	$2,451,819	$3,874,440	$7,521,884	$351,567	$610,260	$5,246,427	$2,320,126	$271,169
Change from 2Q 2009	+44 %	+47%	+72%	- 4%	-60%	+93%	+ 70%	-26%

2010 2Q QUARTERLY REVIEW

Top 5

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

1. $ 1,601,078 American Funds
2. $ 1,313,440 OppenheimerFunds
3. $ 736,628 Franklin-Templeton Funds
4. $ 299,588 Fidelity Funds
5. $ 221,996 Eaton Vance Funds

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

1. $ 1,438,531 Prudential
2. $ 956,829 Jackson National
3. $ 775,227 Nationwide
4. $ 545,385 Allianz
5. $ 527,639 John Hancock

Top Five Vendors' Assets Under Management as of June 30, 2010

1. $ 1,402,919,883 American Funds
2. $ 1,013,126,776 OppenheimerFunds
3. $ 676,073,898 Franklin Templeton Funds
4. $ 395,866,191 Nationwide VA
5. $ 378,134,744 Prudential VA

Table 2

Assets with American Portfolios

Quarter Ending	Clearing Firm Assets	Assets Held Directly	Total Assets
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
2010 2Q	$5,826,606,566	$5,651,387,658	$11,477,994,224
+/- over 2009 2Q	+44%	+37%	+40%

Representative Overview

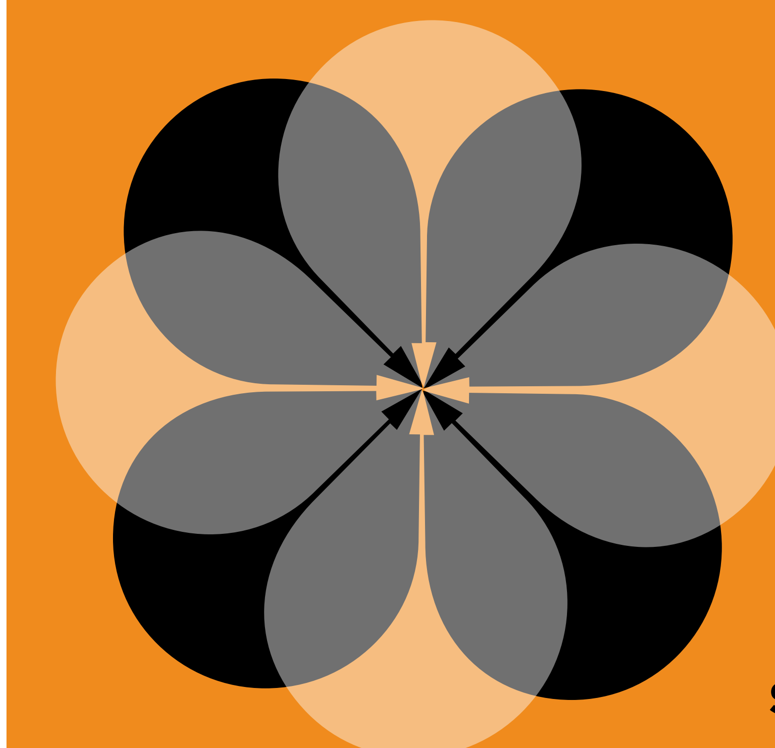
Sept. 10, 2001 – June 30, 2010

Between Sept. 10, 2001 and June 30, 2010, 950 new representatives have joined the firm while 446 representatives have been encouraged to leave. During the same period, assets under management have increased by $10.2 billion (Q4 2001 1,232,657,974 – Q1 2010 $11,477,994,224).

Table 3

Second-Quarter 2010 New Colleagues

First Name	Last Name	City	State	Supervising Principal	Start Date	Status
Thomas	Geyer	Rochester	NY	Robert Bartolotta	3/16/2010	Registered Assistant
Daniel	McElwee	Ewing	NJ	Nicholas Ventura	4/1/2010	Account Executive
Gina	Lemon	Holbrook	NY	Gus Catanzaro	4/1/2010	Registered Assistant
John	Kailunas	Kentwood	MI	Joseph Taunt	4/6/2010	Account Executive
Dennis	Cradduck	Rockford	IL	Brian Yarch	4/9/2010	Account Executive
Joyce	Pihaly	Rockford	IL	Brian Yarch	4/9/2010	Registered Assistant
Justin	Hewins	Marlton	NJ	Timothy O'Grady	4/12/2010	Account Executive
Mary	Finnegan	St. Paul	MN	Brian Yarch	4/14/2010	Account Executive
Timothy	Przytulski	Rockford	IL	Brian Yarch	4/16/2010	Account Executive
Thomas	Kish	West Branch	MI	Brian Yarch	4/20/2010	Principal
Megen	Reilly	Berwyn	PA	Timothy O'Grady	4/20/2010	Registered Assistant
Carmela	Palazzolo	Bridgehampton	NY	Daniel Finnegan	4/22/2010	Account Executive
Joseph	Gruber	Holbrook	NY	Lon Dolber	4/22/2010	Principal
Stephen	Butcher	Troy	MI	Timothy O'Grady	4/23/2010	Account Executive
Jack	Kosinski	Riverhead	NY	Timothy O'Grady	4/26/2010	Registered Assistant
Scott	Littman	Holbrook	NY	Lon Dolber	4/30/2010	Registered Staff
Jennifer	Forrest	Kentwood	MI	Brian Yarch	4/30/2010	Registered Assistant
John	McCormick	Sterling	IL	Brian Yarch	4/30/2010	Account Executive
Daniel	Lownds	Muskegon	MI	Brian Yarch	4/30/2010	Account Executive
James	Wicksall	East Lansing	MI	Brian Yarch	5/3/2010	Account Executive
Russell	Wicksall	East Lansing	MI	Brian Yarch	5/3/2010	Account Executive
Mary Jo	Mowinkel	Grand Island	NE	Richard VanZyl	5/3/2010	Registered Assistant
Richard	VanZyl	Grand Island	NE	Brian Yarch	5/3/2010	Principal
Shane	Wissmann	Grand Island	NE	Richard VanZyl	5/3/2010	Account Executive
Douglas	Holtmeier	Kearney	NE	Richard VanZyl	5/3/2010	Account Executive
Robin	Clegg	Kentwood	MI	Donald Carlson	5/3/2010	Account Executive
Diane	Savage	Lyndhurst	OH	Michael Lytle	5/3/2010	Account Executive
William	Platt	New York	NY	Jane Desmond	5/3/2010	Account Executive
Bradford	Pinter	Kentwood	MI	Donald Carlson	5/5/2010	Account Executive
Steve	Benevento	Holbrook	NY	Gus Catanzaro	5/10/2010	Registered Assistant
Alan	Reid	Minneapolis	MN	Brian Yarch	5/11/2010	Account Executive
Noah	Sanders	New York	NY	Timothy O'Grady	5/11/2010	Account Executive
Dianne	Williams	Louisville	KY	EJ Gary	5/21/2010	Account Executive
George	Crowley	Holbrook	NY	Gus Catanzaro	5/24/2010	Account Executive
Stephen	Donohue	Melville	NY	Edward Levine	5/28/2010	Account Executive
Melvin	Hall	Westerville	OH	Brian Yarch	6/1/2010	Account Executive
Sandra	Dobbs	Kentwood	MI	Brian Yarch	6/3/2010	Registered Assistant
Joshua	Wells	Pawtucket	RI	Christi Johnson	6/8/2010	Account Executive
Jason	Saladino	Huntington	NY	George Elkin	6/15/2010	Account Executive
Richard	Parks	Kentwood	MI	Donald Carlson	6/21/2010	Account Executive
John	Schuman	Bloomington	IN	Tom Wirtshafter	6/30/2010	Account Executive
Beverly	Fischetti	Kensington	MD	Timothy O'Grady	6/30/2010	Principal



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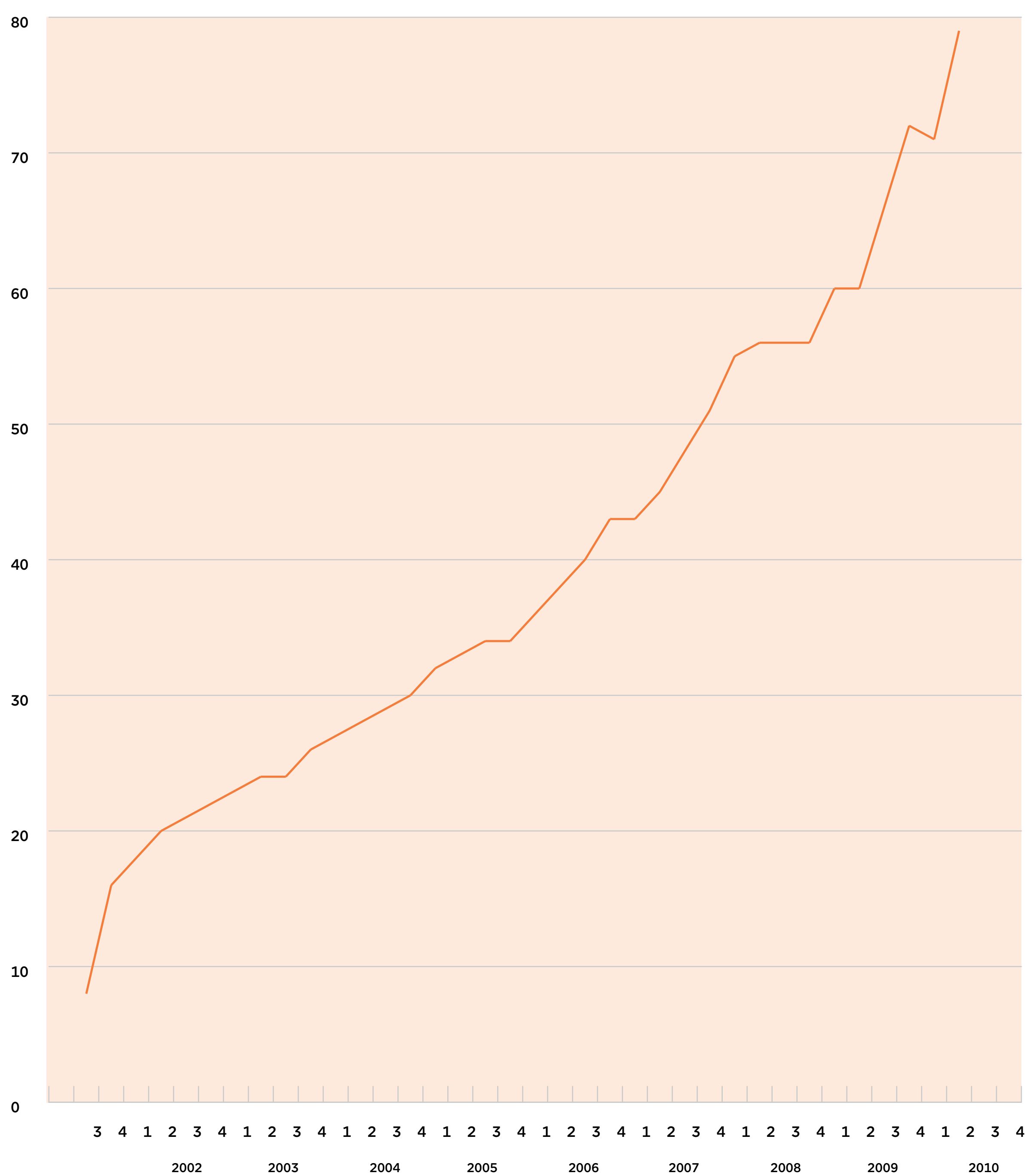
AMERICAN PORTFOLIOS

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 June 30, 2010 the broker/dealer had 728 registered representatives, which included 66 registered assistants and 25 registered employees working from 106 Offices of Supervisory Jurisdiction, as well as 338 branch office locations. A total of 42 new associates have joined the firm while 11 affiliated representatives were encouraged to leave in the second quarter of 2010. As of June 30, 2010 there were 637 producing registered representatives at the firm.

Fig. 2

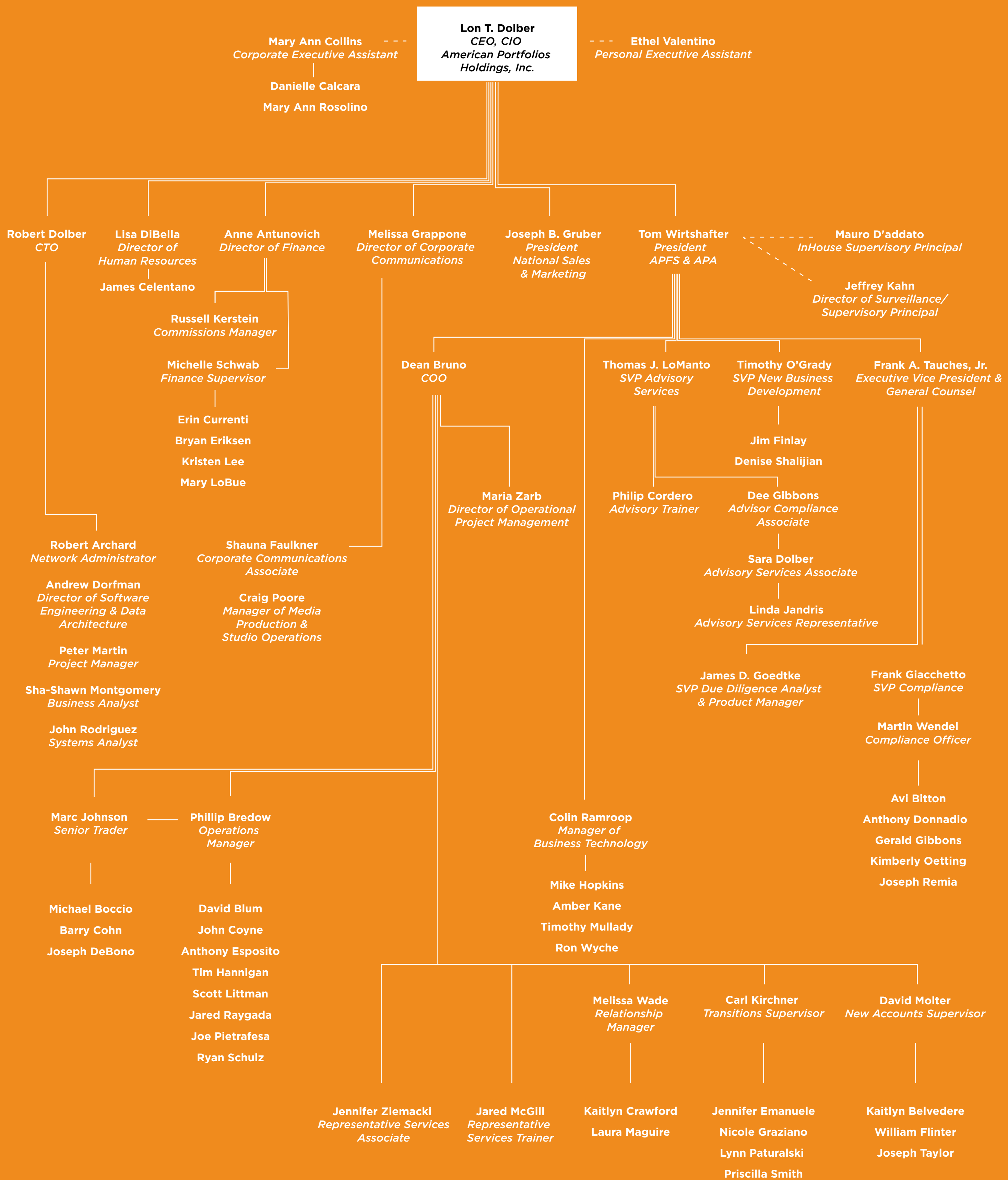
Employee Growth *(by quarter)*



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
- RC Securities
- 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
- OppenheimerFunds — The Right Way to Invest
- Pacific Life
- Penn Mutual — A better way of life
- Pershing — An affiliate of The Bank of New York
- Potomac Fund Management
- Prudential
- Putnam Investments
- 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
Lisa DiBella
Director of Human Resources
James Celentano
Anne Antunovich
Director of Finance
Russell Kerstein
Commissions Manager
Michelle Schwab
Finance Supervisor
Erin Currenti
Bryan Eriksen
Kristen Lee
Mary LoBue
Melissa Grappone
Director of Corporate Communications
Joseph B. Gruber
President
National Sales & Marketing
Tom Wirtshafter
President
APFS & APA
Mauro D'addato
InHouse Supervisory Principal
Jeffrey Kahn
Director of Surveillance/ Supervisory Principal
Dean Bruno
COO
Thomas J. LoManto
SVP Advisory Services
Timothy O'Grady
SVP New Business Development
Frank A. Tauches, Jr.
Executive Vice President & General Counsel
Jim Finlay
Denise Shalijian
Maria Zarb
Director of Operational Project Management
Philip Cordero
Advisory Trainer
Dee Gibbons
Advisor Compliance Associate
Sara Dolber
Advisory Services Associate
Linda Jandris
Advisory Services Representative
Robert Archard
Network Administrator
Andrew Dorfman
Director of Software Engineering & Data Architecture
Peter Martin
Project Manager
Sha-Shawn Montgomery
Business Analyst
John Rodriguez
Systems Analyst
Shauna Faulkner
Corporate Communications Associate
Craig Poore
Manager of Media Production & Studio Operations
James D. Goedtke
SVP Due Diligence Analyst & Product Manager
Frank Giacchetto
SVP Compliance
Martin Wendel
Compliance Officer
Avi Bitton
Anthony Donnadio
Gerald Gibbons
Kimberly Oetting
Joseph Remia
Marc Johnson
Senior Trader
Michael Boccio
Barry Cohn
Joseph DeBono
Phillip Bredow
Operations Manager
David Blum
John Coyne
Anthony Esposito
Tim Hannigan
Scott Littman
Jared Raygada
Joe Pietrafesa
Ryan Schulz
Colin Ramroop
Manager of Business Technology
Mike Hopkins
Amber Kane
Timothy Mullady
Ron Wyche
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
Lynn Paturalski
Priscilla Smith
David Molter
New Accounts Supervisor
Kaitlyn Belvedere
William Flinter
Joseph Taylor