

2013 Third Quarter Results

From the desk of Ernest A. Sampson, CEO

There is an old adage that says “results speak for themselves” and Private Client Services, LLC congratulates everyone affiliated with PCS as we report the 3rd Quarter 2013 results for the firm. We are very pleased with our sales results, the firms’ SEC/FINRA filed financial reports, and the overall execution of our business plan.

Private Client Services’ excellent 3rd quarter sales revenues add to our 2013 year to date record results, helping to establish new accomplishments for PCS and our Associates. Private Client Services, LLC recognizes the fine work of our Associates, their staff and Home Office employees. Traditionally, our firm has achieved outstanding sales results in the months of October, November and December and we anticipate a fantastic finish during the 4th quarter.

Planning Ahead

In addition to finishing 2013 with strong sales results, we encourage our Associates to prepare for 2014 during this quarter by preparing a “2014 Business Plan”. Successful business owners in every industry conduct their business “as a business” and as such recognize the need to take time during the 4th quarter to develop their business plan for the following year. Our dedicated Home Office staff will be here to help you throughout this important quarter.

News of Interest

Now, we want to share important news and updates on what Private Client Services, LLC has been doing this past quarter. The firm continues to achieve success related to multiple initiatives, and is extremely optimistic about the firms’ future.

PCS has unlimited opportunity as a financial services firm and enjoys the luxury of having strategic relationships with partners such as Pershing, LLC who delivers arguably the best and largest “clearing firm” relationship in the country. Through Pershing, LLC, PCS has access to most every major selling agreement relationship (void of high risk alternative investments including non-traded REIT’s and oil and gas deals) and many value added pluses including personal attention...

The point is simple, Private Client Services, LLC is in a good spot and very fortunate to have so many highly successful Associates affiliated with the firm. PCS recognizes the firms’ success is because our Associates use prudent investment products and adhere to and employ high ethical standards with their clients.

Staffing

We are very proud and appreciative of each of our Home Office employee who works diligently on your behalf. Our firm has purposely added several seasoned and experienced operations professionals to better service both the existing and growing business needs of our Associates. PCS will experience an influx of new business from our current expansion efforts and we are well positioned for successful transitions for the new additions joining our PCS family.

Expansion

We are in the process of registering and on-boarding approximately 30 new Registered Representatives and affiliated persons to our current 135 PCS registered persons affiliated with our firm. These are well established and highly regarded Advisors in Salt Lake City, Utah; Seattle, Washington; Washington DC and Philadelphia, Pennsylvania. Each of these

new Associates have been referred to us, vetted and fit our business model as “independent financial services professionals”. Quite a few are CFP’s and have substantial histories of success within our industry.

Our firm takes seriously our responsibility to register only highly qualified persons who are void of any regulatory history of sanctions or customer complaints. We conduct extensive background checks, research registration history, and examine business conduct and practices. Private Client Services, LLC believes we are known for those we associate with, and simply will not compromise our integrity by affiliating with any Registered Representative who has a derogatory history which may reflect poorly upon our firm.

PCS has developed an onboarding process, led by Steve Wescott, to successfully assist those joining our firm. Our process is very detailed and includes compliance review, outside legal counsel assistance, operations, out-sourced transition resources, Pershing, LLC and others as required to facilitate the orderly transfer of customer accounts during the affiliation of a new Associate to the PCS platform.

Technology

Private Client Services, LLC has been making ongoing and significant technology infrastructure investments in our platform. We are nearing the completion of our new Artisan back office system testing and believe it will be deployable during this quarter.

A recent and significant accomplishment by our CFO, Paul Ohlin was the approval of Private Client Services, LLC by NSCC (National Securities Clearing Corporation). The application and approval process took well over one year to complete and demonstrates a confidence in our firm from a financial stability point of view by NSCC.

NSCC provides clearing, settlement, risk management, central counterparty services and a guarantee of completion for certain transactions for broker-to-broker trades. These trades involve equities, corporate and municipal debt, American depository receipts, exchange-traded funds, and unit investment trusts. NSCC also nets trades and payments among its participants, reducing the value of securities and payments that need to be exchanged by an average of 98% each day.

Once the NSCC feed is fully implemented, our Associates will enjoy greater efficiencies in the already efficient and timely payment of their compensation with greater details and the ability to better manage their business from an analytical point of view utilizing the Artisan system.

Our objective is to eliminate the need for significant additional staffing in commission processing as PCS grows and expands thus making the processing of commissions more automated and easily managed by highly experienced professionals such as Kim Givens.

The implementation of the Artisan system will also provide increased efficiencies and greater risk evaluation ability for our Compliance and Supervisory systems, and further ensure our Associates greater reliability on current compensation structures. Both our Associates and our Home Office personnel will be able to rely on technology to accomplish their role more efficiently.

For firms of all sizes, our industry is struggling to maintain current Registered Representative compensation levels and in many instances finding it necessary to reduce Registered Representative compensation. Examples are easy to identify in industry publications and are often achieved by competitor’s association fees, compliance assessments, Errors & Omissions premiums mark-up, etc... Our combined success in sales

growth, coupled with the investment in technology allows PCS to avoid the need to change our compensation, providing for a more stable environment for all our Associates.

2014 Errors & Omissions Insurance Premiums

Our firm recently announced our 2014 Errors & Omissions premiums and we believe we have one of the lowest premiums in the industry for financial services professionals, which is a tribute to the Associates affiliated with our firm, the compliance and supervisory programs we have developed, and our continuing education program in which our Associates participate. These very positive programs are what we demonstrate each year to our E & O insurance carrier at time of renewal. Our sales practices, closely scrutinized by regulators and ultimately judged by our clientele, demonstrate an adherence to professional conduct by our Associates.

Regulatory Update

On a regulatory note, PCS is subjected to periodic and multiple audits and regulator examinations including: Annual certified and audited financial examination; Multiple state regulatory authorities audits and exams; Securities and Exchange Commission (SEC) examinations; And FINRA (Financial Industry Regulatory Authority) reviews, audits and examinations. During 2013, PCS has successfully experienced several routine examinations and has a routine FINRA cycle examination currently being conducted as part of their multi-year exam program. PCS's Compliance, Operations and Financial departments have been busy preparing for this particular on site visit by FINRA scheduled for early December. We ask everyone pay special attention to, and refresh themselves currently with, their online Registered Representatives Manuals, online Written Supervisory Procedures Manuals, Supervisory Procedures Manuals, PCS Business Continuity Plans, Technology Procedures Requirements, Options Principals Procedures, etc.

RIA Program

Our firm has recently completed a very detailed and close examination of our Registered Investment Advisory platform, including our proprietary "AAA" Asset Allocation Account program and each TPAM "Third Party Asset Manager". Private Client Services, LLC is preparing to begin development of enhancements and improvements to our "AAA/JPU" program.

Business Management

Private Client Services, LLC has been making significant progress on our "Single Sign In" business portal which will eventually replace our current VPN "Virtual Private Network" sign on technology platform. PCS is extremely excited about our planned offering of our technology within this platform including: Advisor Assistant, Redtail, Albridge, LaserApp, Quick, Finance Logix, Montoya Marketing Library, RegEd, DocuSign eSignature, National Regulatory Services and several others.

PCS Events

Golf - Charity

Every business person needs to take a little time off and with this in mind Associates, home office employees and clients recently enjoyed an excellent afternoon of golfing and fellowship at the University of Louisville Cardinal Club. We want to recognize our home office employees and Kevin Collins, our event coordinator, who did an excellent job organizing this event. Kevin has many talents and has volunteered to coordinate a 2014 event to benefit Champions for Children, a not for profit organization, which will be the benefactor of our 2014 golf outing.

Company Meeting

The Pershing Financial Solutions Conference - Insite 2014 will be held at the Westin Diplomat in Hollywood Florida. Private Client Services, LLC is piggybacking on this leading financial services industry conference in 2014 and in future years. The PCS Conference will begin immediately following the Insite 2014 scheduled for June 4-6. The PCS Conference will primarily focus on practice management and business development.

Holiday Social

The Private Client Services, LLC holiday social event is scheduled for December 13th, 2013 and we invite everyone to attend. Details will follow with an invitation to the event.

A handwritten signature in black ink, appearing to read "Ernest A. Sampson". The signature is fluid and cursive, with the first name "Ernest" and last name "Sampson" clearly legible.

Ernest A. Sampson
Chief Executive Officer

Operations Update

3rd Quarter 2013

Updates

- **The Operations Department at PCS is pleased to welcome several new staff members to the team.**
 - **Gretchen Ledbetter** has been in the brokerage and financial services industry for more than 15 years in a variety of positions, including both sales and operations. Most recently, Gretchen was a registered sales assistant with Hilliard Lyons, a large regional broker dealer. Gretchen is FINRA Series 7 and 63 registered. Gretchen's current focus is primarily direct business processing.
 - **Sandy McLeod** has more than 20 years of experience in the brokerage and financial services industry in product, sales, and operations positions. Before joining PCS, Sandy was a registered sales assistant for PNC Investments. She is FINRA Series 7 and 66 registered. Sandy is presently focusing on processing Pershing brokerage business.
 - **Sandy Taylor-Jones** joins PCS from the hospitality industry, leaving her most recent position in hotel administration/management. Sandy's customer service and organizational experience make her a valuable addition to the Operations team. She will be handling a variety of special projects and initiatives in addition to supporting new business transitions and the department's day to day activities.

Reminders

- **Selling on Dividends is a Prohibited Transaction**

As noted in PCS' Registered Representative Manual, FINRA's Conduct Rules prohibit the 'selling of dividends' (i.e. the recommendation of the purchase of a mutual fund based on an imminent dividend distribution).

FINRA has this prohibition in place to protect the investing public from a potentially unscrupulous brokerage activity. Since the price of a mutual fund is reduced by the amount of the dividend, selling on dividends is of no apparent benefit to the client and may in fact cause increased tax liability for the investor. Further, FINRA wishes to ensure that the distributions of long term capital gains by the mutual fund are not being represented as part of the income yield from the mutual fund.

- **Safeguarding Your Clients from Fraud**

With the holidays approaching, it is a good time to note that increased vigilance is important in regards to client asset movement requests and wire transfers in particular.

Pershing has reported seeing a troubling new trend emerge; criminals may now be requesting wires that appear to be first-party payments, possibly in an attempt to circumvent Pershing's authentication requirements.

PCS and Pershing have safeguards in place to protect your clients' assets including the Firm verbally confirming the authenticity of client instructions for certain third-party

wires over \$20,000 as well as providing a written attestation supporting the verbal confirmation.

We ask for your support in our efforts, reminding you to examine all client account information, including recent changes to the account record, and whether first- or third-party wire requests seem consistent with activity you expect to see in your client's account. This review should be extended to non-retirement as well as qualified accounts.

There are several steps you can take to help protect your clients:

- ✓ **Implement a Strong Verification Process**—Implement a verification process for all disbursement requests or account changes received through e-mail or via fax to ensure your client initiated the request. Contact the client using the telephone number on the account record, not an alternate number provided on the instruction. Verbal confirmation of your client's instructions should always be made on the date you act on the disbursement request.
- ✓ **Enhance the Confirmation Process for Distributions**—Contact your clients to verify that instructions are authentic, even if the wire appears to be a first-party transaction. Requests to send funds to a financial organization that your client has not previously used should be treated as a red flag and confirmed prior to processing. Consider discouraging non-investment-related third-party distributions, or ensure that you have standing instructions on file for recurring disbursements
- ✓ **Examine the Account Record and Review Prior Activity**—Prior to confirming the instruction, examine the account record to ensure that changes to contact information have not been recently made. Review your client's prior history to determine whether the request appears to be consistent with previously validated history. If your client has never requested a wire transfer of this type, or to this financial institution, instructions should be confirmed with your client prior to processing.
- ✓ **Be Aware of Distributions and Destinations**—Be diligent when reviewing the distributions and destinations on wire instructions. For example, if your client has historically submitted requests and instructions to a local bank, and your firm receives instructions to wire funds to an account in another country or state, you should immediately confirm the request with your client.
- ✓ **Be Wary of Urgency**—Be diligent if your client is requesting payments to be sent out urgently, or if speaking to the client is not possible until **after** the wire is processed. This should be treated as a red flag. Verbal confirmation should always be made prior to the disbursement of funds.
- ✓ **Continue to be Aware of Common Red Flags**—Be aware of poorly written instructions (spelling, punctuation and grammatical errors) or client signatures that appear to be copied and pasted. Be suspicious of payment reasons that involve —funeral expenses,|| —to purchase equipment,|| —loans to a friend,|| —real estate transactions|| or —real estate purchases,|| especially when they reference purchases abroad. Distribution requests from qualified accounts that are not in line with the clients known objectives are also possible red flags.
- ✓ **Identify Payments to Foreign Jurisdictions**—Be especially careful when approving wires going to a receiving bank abroad. Over 35% of fraudulent instructions sent to Pershing went to a receiving bank abroad, most often to Southeast Asia (especially Singapore, Hong Kong and Indonesia). Other

frequently used destinations are the U.K., South Africa and Australia. **Always** confirm instructions for wire payments going abroad with your client.

- ✓ **Consider E-Mail Fraud**—Criminals may be monitoring e-mail communications between you and your client. The perpetrator then e-mails payment instructions that are structured to mimic the transaction that was discussed between you and your client in these e-mails.

- **Best Practices: Include a Recent Statement Along with the PCS Purchase Form**

Customer suitability requirements continue to be an area of heavy regulatory focus. Registered reps are reminded to submit a copy of the client's most recent annual statement from an existing contract along with the purchase form as it contains valuable information and can become part of the suitability review.

Action Required

- **Updating Client Information: 36-Month Books and Records Letters**

We reminded everyone last quarter that it is not sufficient to 'initially' know your customer and not follow up on changes which may materially alter suitability determinations. It is important to remember that marriages, divorces, career changes, births, and deaths can substantively change a client's investment profile.

Pershing mails Books and Records letters on PCS's behalf 36 months *from the date that the account was opened on the Pershing platform* and provides a summary of critical account information like address, telephone number, investment objective, net worth, etc.

Please remember that since these letters are generated by account rather than by customer or household, the change information coming in with a books and records update is only applicable to the particular account the letter was generated for.

If you receive a books and records update from your client or if the Operations department forwards an update to you that needs a client's signature, please take a moment to ensure that when the change request comes into Operations for processing, all accounts needing the update have been identified.

The Customer's Investment Profile Suitability Update Forms (Updated 05012012) are still available in the Home Office. Please contact Mary Heckel for a pad of these forms if you need them.



Mary Wescott
Operations Officer

Technology Update

3rd Quarter 2013

Fiber Connection at the home office

This quarter the PCS home office added internet fiber connection, and our internet is faster than ever! Flowing thru our line is a 10MB fiber, private connection, that has 99% uptime and guaranteed not to lose connection. This helps pcs operations process your business faster than before, without the fear of losing connection.

Here are some quick tips to help you along:

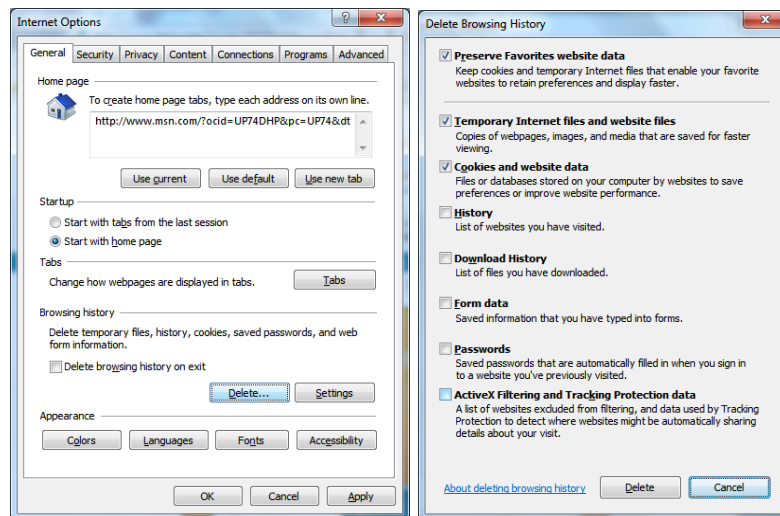
NetX360 Issues


If you are having trouble with NetX360, please make sure you are using the latest version of Java software. You can download it from their webpage, www.java.com. If you continue to have trouble after you download the new version, call NetX360 Support, at 888-878-3142.

Windows Running Slowly

If your PC or internet connection continues to run slowly after you rebooted your machine, check to make sure you have the latest Windows updates from Microsoft. To do this, click on “Tools” in the file menu of Internet Explorer and select “Windows Updates” and install. You should also clear out the cookies from your browser cache, as well as the cache itself:

- For Internet Explorer, click on Tools>Internet Options> then click on delete:



- For Google Chrome:
- Click the Chrome menu  on the browser toolbar.
- Select **Tools**.
- Select **Clear browsing data**.
- In the dialog that appears, select the checkboxes for the types of information that you want to remove.
- Use the menu at the top to select the amount of data that you want to delete. Select **beginning of time** to delete everything.
- Click **Clear browsing data**.

Virus Scanning

I also suggest running a full virus scan on your machine to ensure that the device is clear of cyber threats. Virus protection is imperative to a healthy operating system; if you do not currently have virus protection on your system, it can be downloaded *at no cost from* <http://windows.microsoft.com/en-us/windows/security-essentials-download>.

If this program does not identify any problems, download and install the application, Malwarebytes, from here <http://www.malwarebytes.org/> and then conduct a full scan of your device.

Consider Your Operating System – Is It Current?

If you are still running WinXP or Windows Vista, we encourage you to upgrade to Windows 7 Professional as both of these operating systems are slated to no longer be supported in 2014 and 2017 respectively.

PCS IT Suggested System requirements

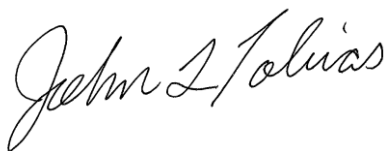
Hardware:

- A PC desktop/laptop running Microsoft Windows 7 with at least 4GB's of ram and 500GB HD.
- An external hard drive for local pc backups.

Software:

- Microsoft Office Suite 2010 or later.
- Microsoft Security Essentials for anti-virus protection. (This is free to download from Microsoft.com)
- The latest version of Adobe Reader. (This is free to download from adobe.com)
- The latest version of JAVA. (This is essential for NetX360 and is free to download from Java.com)
- HardDrive encryption software like TrueCrypt or Diskcryptor to protect data on hard drive.
- Using the latest internet browser:
 - Internet Explorer, version 10.0.8
 - Google Chrome, version 29.0.1.1547.66 m
 - Mozilla Firefox, version 23.0.1

*** Apple/Mac products may be used but will not be supported by PCS IT Technology***



John L. Tobias
Information Technology Director

Advisory Program Update 3rd Quarter 2013

Both the internal JPU asset allocation and the third party asset manager (TPAM) platforms have undergone an extensive review process since early summer. The focus of the review process was to identify potential areas of regulatory exposure, from client documentation on risk profiling and model portfolio recommendations to annual review processes for suitability, model portfolio compliance, portfolio drift, rebalancing and fee structures.

After sampling and reviewing about 25-30% of the JPU account base and a similar portion of TPAM accounts, we have identified key areas to help advisors make sure that all account documentation is as accurate and as current as possible. Guidelines and action steps have been developed which will allow advisors to spend more time managing and developing relationships and less time chasing paperwork. A re-vamp of the current forms library is a key aspect of this effort. Making those forms electronically fillable is a next logical step. Our goal is to make sure that the underlying account opening review process is optimized, and then to provide streamlined account opening forms that support the process and help move it forward.

With regard to the JPU platform, the PCS Risk Tolerance Questionnaire is being revamped, with the addition of visual tools for use with the multiple choice questionnaire. We have also developed a wealth of analysis and information about investment performance and volatility of each of the five strategic models. We hope to have these tools pushed out from the home office by mid-November.

The next step for the RIA program will be to develop a list of recommended ETFs and mutual funds for use with the JPU platform. This is likely to be an early 2014 project as it will take some time to acquire the necessary robust analysis tools and develop our own security selection processes.

Billing setup is another crucial area that has been reviewed to identify potential problems. We are happy to report that operations was fully prepared well in advance of the quarter ended September 30, and that aside from a one-day problem on Pershing's end of the process, account billings for the 4th calendar quarter of 2013 went remarkably well.

If you have questions related to the PCS Asset Allocation Account (JPU) or other advisory products offered by PCS, please do not hesitate to contact me directly at the home office, or via email cmccurdy@pcsbd.net.



Charles (Chuck) McCurdy, CFA
RIA Executive Officer

Compliance Update

3rd Quarter 2013

Action Required

- **Annual Review of ERISA Accounts**

Ongoing disclosure requirements under ERISA Section 408(b)(2), which require disclosures of changes to any plan specific investment-related information, are to be made at least annually. Therefore, annually please make an inventory of ERISA 408(b)(2) accounts, evaluate whether any changes to investment-related information has occurred, document the evaluation, and if required send a disclosure letter and provide a copy to the Operations Group for recordkeeping in the client file.

<http://www.dol.gov/ebsa/newsroom/fs408b2finalreg.html>

<http://www.dol.gov/ebsa/pdf/2012-02262-PI1.pdf>

Reminders

- **Updated Online RIA Manual and B/D WSP Manual**

Please note that the online RIA Manual sections entitled “Custody” and “Privacy,” and the online BD WSP Manual certain sections entitled “Anti-Money Laundering” have been revised due to regulatory changes. Each Representative should review these sections in particular, but also please remember it is your responsibility to review the entire online manual routinely since it is updated frequently.

- **Variable Annuity Disclosure Information**

Recent findings by FINRA have evidenced cases where broker/dealers have supplied disclosure information to customers purchasing variable annuity products that do not match the information contained in the prospectus. It is imperative that when completing the PCS Purchase form that the information listed for both old and new products is accurate and matches the information contained in the prospectus. This information is viewed by FINRA (and PCS) as client disclosure language and must be correct. Please double check your forms prior to submission to Operations. For more information please reference [FINRA Case #2010021133001 \(Financial West Investment Group, Inc. dba Financial West Group \(CRD #16668, Westlake Village, California\)\)](#)

- **Hold Recommendations**

FINRA Rule 2111 (Suitability Rule) was made effective July 9, 2012, and part of the new rule was the definition of a Hold Recommendation. The Second Quarter, 2012 PCS Newsletter included the following: *“The new rules also define a HOLD recommendation. If a representative recommends that a client “hold” a position, including the positions contained within a variable product (sub-account allocation), the representative should make note of the recommendation either in the notes tab on NetX360 for brokerage accounts, or in the client file for direct business accounts.”*

All representatives are reminded that any time a recommendation is made to “Hold” a position the new rule requires the recommendation to be documented within the firm’s books and records. PCS policy is that such recommendations should be listed within the account notes page for brokerage accounts, and within client notes either in rep CRM systems or client account folders for direct business. Additionally, “Hold” recommendations should be supported just as any other solicited recommendation with appropriate and timely due

diligence. PCS will be testing accounts for both notifications and due diligence during office visits and account reviews.

- **Complaints**

Representatives are reminded that they must forward any written customer complaint to their Managing Principal immediately upon receipt, who in turn must notify Compliance and Senior Management immediately.

- **U4 Registration Information**

Registered Representatives (RR) are reminded that all registration information must remain current at all times. This includes information related to changes to name, address (business or personal), marital status, outside business activity, financial status such as liens, judgments, compromise with creditors, garnishments and other court orders, tax levies, wage withholdings, bankruptcies, etc. Any updates should be brought to the attention of your Managing Principal and the Licensing and Registration Department.

Industry Information

- **Sample Disciplinary Actions**

Each quarter the Compliance Department will strive to provide some insight related to rule changes, Regulator feedback, Regulator actions etc... This quarter you will find a sampling of recent disciplinary actions taken by FINRA against various representatives. These samples were chosen based on the relevance to our business lines and/or activities. Please take a few minutes to read through the material.

Managing Principal Information

- **Outside Business Activity Approval Reminder**

Managing Principals are reminded that when they approve an outside business activity, that the registration and licensing group must be notified so that the U4 may be updated. The same applies when notified of an outside business activity that has been discontinued. Mary Wescott is the current contact person for Registration and Licensing items.

- **Disciplinary Actions Reminder**

As discussed in the "Internal Disciplinary Actions" section of the online PCS Broker-Dealer Written Supervisory Procedures Manual, Managing Principals are responsible for determining the necessity of any internal disciplinary events and Senior Management oversees all actions resulting from internal disciplinary events. Managing Principals and Senior Management may wish to consider the most recent FINRA Sanction Guidelines (posted July 2013)

<http://www.finra.org/web/groups/industry/@ip/@enf/@sg/documents/industry/p011038.pdf> for additional guidance on primary considerations and recommended sanctions.

- **Variable Product Review Guidelines**

Managing Principals are responsible for ongoing oversight of the day-to-day activities of their assigned Representatives and all activities related to variable insurance product transactions, and that the individuals are fully aware of the rules, regulations and regulatory concerns surrounding variable products. Managing Principals should conduct documented surveillance activities/reviews to detect any transactions of variable products which are unsuitable and not in compliance with all the relevant rules and regulations. The SEC has

noted the following considerations may be useful in identifying potential abusive sales practices and violations in the sale of variable insurance products:

- Client's age;
- Clients with low net worth;
- Clients with low annual income;
- Clients in the lowest tax bracket;
- Clients with limited investment experience;
- Clients with high net worth (VA's may not be appropriate for extremely high net worth individuals);
- Clients whose variable annuity purchases exceed a specified percentage of their net worth;
- Clients whose assets are heavily concentrated in Variable Insurance Products;
- Representatives with a large number of elderly clients of modest means, or with limited investment experience;
- Sales to accounts of non-natural persons (trusts, corporations);
- Comparison of investment choices to customer's investment objectives;
- Variable annuities in an IRA, 401(k), or other tax-qualified accounts;
- Variable annuities in wrap accounts;
- Free look cancellations;
- Surrenders;
- Charge backs;
- Replacements with large surrender charges;
- Surrender charge and other costs of exchange exceed bonus and other benefits received;
- Transactions where surrender took place shortly before a lower surrender charge would have taken effect;
- Short holding period (one to five years);
- Registered representatives with a high percentage of replacements and 1035 exchanges;
- Representatives who repeatedly switched clients after comparatively short holding periods;
- Lapses in variable life insurance for non-payment of premiums;
- Variable life insurance sales with premium payments exceeding a certain percentage of annual income;
- Loans from variable life policies; and
- New variable life policies were matched with disbursements from existing life insurance policies or annuities to track that activity.

If indications of abusive sales practices or violations are identified, Managing Principals are responsible for quickly investigating the issue and consulting with Senior Management to take appropriate action (e.g., putting RR on heightened supervision, issuing Letter of Caution, suspending, fining or termination).



John Taylor-Jones
Chief Compliance Officer