

Product Cost Disclosure

There are many expenses associated with investments, which are detailed in the prospectus for your specific investments. This form attempts to help you understand how these expenses might affect you. Let's start with sales charges, sometimes referred to as "loads". The amount of sales charge depends on:

- 1) The class of shares purchased (i.e. Class A, B, C, I, M or T)
- 2) The dollar amount invested
- 3) How long you keep your investment before liquidating

Class A, M, and T shares include the sales charge in the price you pay per share, just like the markup on a retail item you might purchase at the store is included in the price of the merchandise. Similar to retail discounts on quantity purchases, these share class offer sales charge discounts for sums invested beyond certain "breakpoints". The following table illustrates the reduced sales charge at each breakpoint for classes A, M, and T:

Amount	Invested	Class A Shares	Class M Shares	Class T Shares	
\$0	-	\$49,999	5.75%	3.50%	3.50%
\$50,000	-	\$99,999	4.50%	2.50%	3.00%
\$100,000	-	\$249,999	3.50%	1.50%	2.50%
\$250,000	-	\$499,999	2.50%	1.00%	1.50%
\$500,000	-	\$999,999	2.00%	0%	1.00%
\$1,000,000	-	\$24,999,999	1.00%	0%	0%
>\$25,000,000			0%	0%	0%

Class I shares generally have no front-end or back-end sales charges. Some Class C shares charge 1% up front while others do not. However, Class C shares have a 1% back-end surrender charge called a Contingent Deferred Sales Charge (CDSC) on withdrawal of principal held for less than 12 months. Class B shares have no front-end sales charge, but rather a decreasing CDSC on withdrawals of principal usually according to the following schedule:

Year:	1	2	3	4	5	6	7
CDSC:	5%	4%	3%	3%	2%	1%	0%

Annuities are similar to Class B or C shares in that there is no front-end sales charge, but rather a decreasing CDSC lasting up to 7 years instead of 6, like the following schedule:

Year:	1	2	3	4	5	6	7	8
CDSC:	7%	6%	6%	5%	4%	3%	2%	0%

This CDSC applies to a withdrawal exceeding 10% or 15% of your original investment or the previous anniversary balance, depending on your particular contract. For example, if you invested \$100,000, your contract allows 15% CDSC-free withdrawals based on original investment amount, and you withdrew \$20,000 in year 3, only \$5,000 would be charged 6%. So, in effect, it would cost you only \$300 for access to \$20,000. If this were not a retirement account, you would also pay income tax on any gain, with a 10% tax penalty if you were under age 59 ½. This tax penalty is waived if certain conditions of the tax code are met. There may be a \$25-\$30 annual contract fee for annuity balances under \$50,000. In addition, it should be understood

that “B” share type of investments are illiquid and should not be required to be liquidated during the CDSC period and further, have higher internal costs which respectively impact long term performance.

Annuities also have another unique expense which regular mutual funds do not have, called a mortality and expense charge. This ranges from 1%-1.5% and provides special protection for the beneficiary of the contract until the contract owner turns 80 (some contracts maintain these benefits for life). Generally, the beneficiary is guaranteed to get the greater of the original investment amount, the current value, or the highest anniversary balance. Some contracts allow you to pay 0.05% - 0.25% extra to guarantee that the death benefit will always grow by at least 5%. In a Single Premium Variable Life Insurance (SPVL) this mortality and expense charge is slightly higher, ranging from 1.75% - 2.5%. However, there is a much greater immediate death benefit, which is passed onto the beneficiary totally income tax-free.

The premium tax on Variable Universal Life Insurance (VLI) is passed onto the insured as a front-end cost of about 8% on premiums as they are paid. The cost of life insurance depends on face amount (death benefit), age, health, occupation, avocation, and gender. It is deducted monthly from the investment sub-accounts, and increase as the years go by to reflect the increasing risk of paying out the death benefit. VLI typically has a surrender charge lasting 10 – 15 years, stated either as a dollar amount or a percentage of premiums paid. In addition to these charges being explained in your prospectus, they may also be summarized on your quarterly statements. There is usually a small fee, such as \$25-35 to withdraw any amount of funds from VLI cash value, and if you borrow from your policy, the net loan interest rate is typically 2% or less. As with any insurance purchase, there is generally an underwriting process at no cost to the applicant, and if a policy is issued the insurance company will pay the agent an initial commission sometimes with ongoing trailing commission for as long as the policy stays in force (presumably to cover ongoing service for the insured).

Any managed investment fund will also have operating expenses and management fees. These cover typical business expenses such as salaries, utilities, rent, trading, etc. and range from 0.30% to over 1%, depending on the size and type of fund (international stocks or US Government Bonds, for example). There may also be ongoing marketing expenses called 12b-1 fees as shown in the following table:

Share Class:	A	B	C	I	M	T
12b-1 Fee:	.25%	.25%	1%	0%	.65%	.50%

Choosing the appropriate type of insurance or investment and class of shares depends on your specific situation and objectives. The professional advice given has taken all of this into consideration. Continuing professional service will be covered by the sales charges and ongoing 12b-1 fees described above as it specifically relates to the insurance or investment strategy embarked on.

When using the types of investments described above, rebalancing a portfolio to maintain target asset class percentages or following a top manager when he/she moves to a new fund family can become difficult and expensive in terms of transaction fees (and taxes in nonqualified accounts). There may also be regulatory compliance problems if breakpoints are not met when attempting to utilize top fund managers who happen to be with different fund families.

An effective solution to these issues can be the use of professionally designed portfolios that are regularly rebalanced and managed with tax control in mind. SEI Private Trust Company designs such portfolios, blending the talents of institutional

money managers and monitoring their performance on a daily basis. There are no sales charges or CDSC fees to participate in these complete portfolios. The huge amount of money managed enables operating expenses to range from .56% to 1.23% depending on the portfolio chosen. In place of 12b-1 Fees, the advisor charges an asset management fee ranging from .5% to 1.5% annually depending on the total value of assets managed in these portfolios. My annualized fee schedule is detailed below:

On the first \$250,000	1.275%
On the next \$250,000	1.063%
On the next \$500,000	0.850%
On the next \$1,000,000	0.638%
On amounts over \$2,000,000	0.425%

One fourth of the asset management fee is deducted from the account or billed directly at the end of each calendar quarter. It is this asset management fee that covers the cost of periodic financial reviews and communications in between as needed.

Another type of asset class that may be used in a well-diversified portfolio might be a Real Estate Investment Trust (REIT). This entirely different class of investment may be publicly traded or not. As with any real estate transaction, these have an up-front cost of about 10% and should be considered very long-term. Part of the initial cost is shared with the advisor, and there is typically no further compensation to the advisor after that.