

PACIFIC WEST SECURITIES, INC. AND PACIFIC WEST FINANCIAL CONSULTANTS, INC.'S DISCLOSURE DOCUMENT FOR MUTUAL FUND, VARIABLE PRODUCT, PUBLICLY REGISTERED REAL ESTATE INVESTMENT TRUST, FIXED INSURANCE PRODUCT, PUBLICLY REGISTERED DIRECT PARTICIPATION PROGRAM AND THIRD PARTY MONEY MANAGER INVESTORS

If you invest in mutual funds, variable products, publicly registered direct participation programs (DPPs), publicly registered real estate investment trusts (REITs), fixed insurance products or 529 Plans, this disclosure document will help you understand these investments, the costs associated with investing in each of these products, how your representative is compensated when you buy these products, and how Pacific West Securities, Inc. and Pacific West Financial Consultants, Inc. (Hereafter jointly referred to as PACIFIC WEST) are compensated by mutual fund families, insurance companies, DPP sponsors, and REIT sponsors to sell their products, as the case may be. In addition, this disclosure addresses the use of third party money managers, the costs associated with using such managers, how your representative is compensated when he or she uses a third party money manager, and how PACIFIC WEST is compensated by the money manager. PACIFIC WEST and your representative are dedicated to ensuring that you invest in the mutual funds, variable products, DPPs, REITs, fixed insurance product, 529 Plans, and/or third party money managers that best suit your investment needs, risk tolerance and time horizon.

MUTUAL FUNDS

What is a Mutual Fund?

A mutual fund is an investment vehicle that purchases stocks, bonds and other securities on behalf of its shareholders. Investments from many investors are combined, or pooled, in a single portfolio that is managed by a professional manager. Funds invest in a variety of investments, including U.S. or international stocks, bonds, money market instruments. Individual investors own shares of the fund, while the fund company (investment company) owns the underlying investments. In order to be an informed investor in mutual funds, you should carefully read the informational documents known as a "prospectus" and "statement of additional information", which are provided by every mutual fund. You also should discuss your investment goals and objectives with your representative. Finally, we suggest you visit the educational Web sites of the Securities and Exchange Commission (www.sec.gov), FINRA (www.finra.org), the Securities Industry Association (www.sia.com), and the Investment Company Institute (www.ici.org), for additional information on mutual funds.

Costs of Investing in Mutual Funds

Before investing in mutual funds, it is important that you understand the fees and expenses associated with such investments. All mutual funds have fees and expenses. They have ongoing expenses that you will pay as long as you have an investment in the fund. Most funds also require that you pay a sales commission when you buy or sell the fund. The costs of buying or selling shares of a fund, plus the annual costs you pay that are associated with operating the fund, affect the return on your investment. Understanding these fees and expenses will assist you in identifying the best investment for your particular needs and may help you reduce the cost of your investment.

This disclosure document will give you general background information about the fees and expenses associated with the mutual funds sold by PACIFIC WEST. However, sales charges, expenses, management fees, and breakpoint discounts vary from mutual fund to mutual fund. You should

therefore discuss these fees and expenses with your representative and review each fund's prospectus and statement of additional information to get the specific information regarding the fees and expenses associated with a particular mutual fund.

Mutual fund fees generally fall into two categories: loads (sometimes called sales charges) and annual fund operating expenses. Both are disclosed annually in the fee table in the front of a fund's prospectus and may be incurred when you buy a fund, while you own a fund, or when you sell a fund.

"Loads" or Sales Charges

Loads or sales charges compensate the fund company, PACIFIC WEST and your representative. Sales charges are either "front-end" (charged when you buy shares) or "back-end" (charged when you sell). A back-end charge is also called a contingent deferred sales charge because the longer you hold your shares, the more the charge declines, ultimately to zero.

The reason behind the different sales charges is for mutual funds to be able to offer different pricing arrangements to meet the needs of different investors. Most mutual funds make this possible by offering investors various "classes" of shares. Although each share class represents a similar ownership interest in the mutual fund, each has different fees and expenses, which would affect your investment returns. While there are many different classes of mutual funds, the most common are Class A, Class B and Class C.

Class A shares generally have a front-end sales charge that is deducted from your investment at the time you buy fund shares. The operating expenses are also generally lower for A shares than B or C shares. The sales charge is a percentage of your total purchase. If, for example, you have \$10,000 to invest in a fund and the front-end sales charge is 5 percent, you would be charged \$500, and the remaining \$9,500 would be invested in the chosen fund. You should also keep in mind that each fund family has "breakpoint" discounts for large investments to the front-end sales charge assessed on A shares. This means that as the size of your total investment within a fund family increases, the sales charge may decrease. For example, a fund might charge a load of 5.75% for purchases under \$50,000, reduce the load to 4.5% for purchases at or above that amount but less than \$100,000, and still further reduce or eliminate the load at other higher levels.

You may be able to qualify for a breakpoint on the basis of a single purchase, or by aggregating the amounts of more than one percent by using a "letter of intent" or a "right of accumulation". A letter of intent is a letter you sign stating your intent to buy a certain amount of shares over a particular period of time. A right of accumulation allows you to qualify for a breakpoint with respect to a current purchase, based upon the total amount of your previous purchases. In either case, purchases may qualify for a breakpoint if they are made in your account or in accounts that are related or linked to your account. You may also qualify based upon purchases that are made in the same fund or in different funds that are within the same fund family. Your representative or the fund prospectus can provide additional information on ways to reduce or eliminate the sales charge.

Class B shares typically do not have a front-end sales charge and therefore do not have breakpoints. B shares, however, generally have higher annual operating expenses than A shares. Class B shares also normally have a back-end sales charge, which you would pay if you sell your shares within a specified number of years. The back-end sales charge generally declines over time and is usually eliminated after the seventh or eighth year. B shares normally convert to A shares at that point, and from then on you benefit from lower annual expenses. In view of the back-end sales charges and lack

of breakpoints, investors often find B shares to be the most appropriate when investing modest amounts for longer periods.

Class C shares, like B shares, have no front-end sales charge and have higher annual expenses than A shares. There generally is no back-end sales charge unless the shares are sold within a one-year period. Unlike B shares, C shares never convert to A shares. If you buy a C share, you generally pay as you go. This means that the expense ratio is typically higher on a C share than on an A share. Investors who want flexibility and who have a shorter investment time horizon may find that C shares best meet their needs.

To compare expenses by share class, you may wish to review FINRA's Expense Analyzer at: <http://www.finra.org>.

Operating Expenses

Annual fund operating expenses, or the cost of doing business, include management fees, 12b-1 fees *see footnote*

pay operating expenses directly; rather, they are deducted from the fund's total assets, so they reduce investment returns. As noted above, the operating expenses of funds are generally lower for A shares than for B or C shares.

Selecting What is Right for You

Selecting the appropriate fund family and share class involves a number of factors, including fund strategies, fund performance history, investment objectives and fees and expenses. You should review the fund's informational documents as well as the fund's share classes to determine and evaluate your options. We also encourage you to discuss your options with your representative who can assist you in choosing the fund family and share class most suitable for you.

PACIFIC WEST's Revenue Sharing Disclosure for Mutual Funds

PACIFIC WEST offers many mutual funds to investors. We believe it is important that our registered representatives evaluate these funds and assist investors in selecting the funds that best meet their needs. We currently offer mutual funds sponsored by more than 100 companies, but because there are more than 8,000 mutual funds available for sale in the United States, our representatives may focus on a select group of some of the largest and most well-known mutual fund families that offer a broad spectrum of investment products. Sponsors who chose to participate in our Marketing Programs have greater access to our representatives to provide training and other educational presentations and product information so that they can serve investors better. The following sponsors currently participate in these revenue sharing arrangements: Calvert, MFS, and Principal Funds.

Note: 12b-1 fees are payments made by a mutual fund in connection with a distribution of its securities. The fund company takes 12b-1 fees out of the fund's assets each year for marketing and distribution expenses, which may include compensating representatives.

Alternatively, PACIFIC WEST may receive from certain mutual funds a fee to participate in our marketing programs. The current fee for participation in the 2010 Marketing Program ranges from \$7,500 to \$32,500. Not all sponsors participate at the same level and participation is voluntary.

How PACIFIC WEST and Your Representative are Compensated When You Buy Mutual Funds

PACIFIC WEST and your representative are paid in different ways for helping you choose mutual funds, depending on the type of fund, amount invested, share class purchased and fund family used.

- As mentioned above, PACIFIC WEST is paid by the fund family based on the fees you pay. Then, a portion of that payment goes to your representative.
- A fund family does not typically pay the entire amount of the up-front load to PACIFIC WEST. For most purchases, PACIFIC WEST's compensation is based on a formula. For example, if a fund has an up-front load of 5.75%, it may pay PACIFIC WEST 5%. This is referred to as the dealer concession to the broker/dealer.
- The compensation formula to determine the amount of payment for your representative is the same regardless of which mutual fund you purchase. However, some funds may carry higher sales charges and/or higher dealer concession charges than others (as explained above), which may create an incentive for representatives to sell such funds. You should compare funds sales charges and concession charges by looking at the fund prospectus or asking your representative.
- In addition, ongoing payments (known as residuals or trails) on mutual fund shares that are held in your account for more than one year are set by the fund family and generally paid to PACIFIC WEST. PACIFIC WEST then pays your representative based on its compensation formula.
- In other types of accounts (such as fee-based accounts), representative compensation is based on a percentage of the total assets held in the account, rather than concessions or trails.

PACIFIC WEST representatives do not receive a greater or lesser commission in connection with sales of mutual funds from sponsors who participate in our Marketing Program.

You should feel free to ask your representative how he or she will be compensated for any mutual fund transaction and how that compensation may compare with another mutual fund transaction.

VARIABLE PRODUCTS

PACIFIC WEST currently receives revenue sharing payments associated with the sale of two variable products: (1) variable annuities; and (2) variable universal life insurance.

What is a Variable Annuity?

A variable annuity is an insurance contract between you and an insurance company, under which the insurance company agrees to make periodic payments to you, beginning either immediately or at some future date. You purchase a variable annuity contract by either a single payment or by multiple payments. Variable annuities are designed to be long-term investments to meet retirement and other long-range goals.

A variable annuity offers a range of investment options. The value of your investment as a variable annuity owner will vary depending on the performance of the investment options you choose. The investment options for a variable annuity are typically subaccounts that invest in stocks, bonds, money market instruments, or some combination of the three.

Although variable annuities are typically invested in subaccounts that have some similarities with mutual funds, variable annuities differ from mutual funds in several important ways:

- Variable annuities allow you to receive periodic payments for the rest of your life (or the life of your beneficiary). This feature offers protection against the possibility that, after you retire, you will outlive your assets.
- Some variable annuities have a death benefit feature that is not available with mutual funds. If you die before the insurance company starts making payments to you, your beneficiary is guaranteed to receive a specified amount—typically at least the amount of your purchase payments.
- Variable annuities are tax deferred. This means that you pay no taxes on the income and investment gains from your annuity until you withdraw your money. You may also transfer your money from one investment option to another within a variable annuity without paying tax at the time of the transfer. You should check your variable annuity prospectus, however, for any transfer restrictions.
- Variable annuities have higher charges than mutual funds. You will pay for each benefit provided by variable annuity. Be sure you understand these charges as they will reduce the value of your account and the return on your investment.

The variable annuity prospectus provides detailed information on all of the sub-account investment choices within the variable annuity. We encourage you to read it carefully in order to understand the benefits and risks of variable annuities. You should also consider visiting the SEC's educational Web site on variable annuities at: <http://www.sec.gov/investor/pubs/varannty.htm> and FINRA's variable annuity site at http://www.finra.org/variable_annuities.asp.

What is a Variable Universal Life Insurance Product?

Variable universal life insurance products share some of the same characteristics as variable annuities. For example, variable universal life insurance is an insurance contract between you and an insurance company. You purchase a variable universal life insurance product by either a single payment or by multiple payments. These products are designed to be long-term investments, include a death

benefit, and offer a range of investment options. The value of your investment as a variable universal life insurance product owner will vary depending on the performance of the investment options you choose. The investment options for a variable annuity are typically subaccounts that invest in stocks, bonds, money market instruments, or some combination of the three.

Unlike variable annuities, variable universal life insurance products offer a flexible premium schedule, and you generally satisfy the premium payment requirement through deductions or sales of the underlying subaccounts in your variable universal life insurance product sub accounts. Variable universal life insurance product, however, differ from traditional whole life insurance in that cash values are allocated to various sub-accounts, each reflecting investments in particular mutual funds that are separate from the general assets of the insurance company.

PACIFIC WEST's Revenue Sharing Disclosure for Variable Annuities

Because of the large number of companies offering these products, our representatives may chose to focus on a select group of some of the largest and best known, which offer a broad array of products and options. Sponsors who chose to participate in our Marketing Programs have greater access to our representatives to provide educational and training opportunities. Sponsors that participate in these revenue sharing arrangements include the following companies: Nationwide, Allianz, Jackson, John Hancock, MetLife, Ohio National and Pacific Life. The current fee for participation in the 2010 Marketing Program ranges from \$7,500 to \$32,500. Some sponsors may elect to contribute a Marketing Program Fee based on a percentage of assets invested with the company in the calendar year. Not all sponsors participate at the same level and participation is voluntary. The program fee varies according to the events and activities the sponsor chooses to participate in, which include: Conference Calls/Webinars, website exposure, Top Producer Event, Leadership Summit and exhibit booths.

How PACIFIC WEST and Your Representative are Compensated When You Buy Variable Products

PACIFIC WEST and your representative are paid in different ways for helping you choose variable products, depending on the type of variable product, amount invested, share class purchased and the age of the client.

- Similar to mutual funds, PACIFIC WEST is paid by the variable product company based on the fees you pay. Then, a portion of that payment goes to your representative.
- The compensation formula to determine the amount of payment for your representative is the same regardless of which variable annuity or variable universal life insurance product you purchase.
- In addition, ongoing payments (known as residuals or trails) on variable annuities and variable universal life insurance products that are held in your account for more than one year are set by the variable annuity company and generally paid to PACIFIC WEST. PACIFIC WEST then pays your representative based on its compensation formula.
- PACIFIC WEST representatives do not receive a greater or lesser commission in connection with sales of variable annuities or variable universal life insurance contracts by the sponsors as distinct from other annuity issuers.

You should feel free to ask your representative how he or she will be compensated for any variable annuity and variable universal life insurance transaction and how that compensation may compare with another variable annuity or variable universal life insurance transaction.

FIXED INSURANCE PRODUCTS

What is a Fixed Annuity?

A fixed annuity is a contract between you and an insurance company pursuant to which you make one or more premium payments to the insurance company for a specified time period. In exchange, the insurance company agrees to credit to the annuity at least a minimum stated rate of interest during the accumulation period. You are not required to recognize the interest credited to your annuity for federal and state income tax purposes until such time as amounts are withdrawn, the annuity is surrendered or otherwise paid out.

If not sooner surrendered, at the end of the accumulation period, the payout period begins, during which the assets and the interest that has accrued is paid out to you. You can elect to receive payouts on a fixed periodic basis or you can choose to have your principal and the accumulated interest returned to you in a lump sum payment. Generally, the amounts returned to you during the payout are subject to federal and state taxes. For tax advice regarding fixed annuities, please consult with your tax professional.

While you can withdraw funds from a fixed annuity or surrender it prior to the beginning of the payout period, such withdrawals or surrenders may be subject to fees, expenses and penalties, the nature and extent of which will depend on the fixed annuity that you purchase. For information concerning the fees, expenses and penalties that may apply, please consult with your representative.

Life Insurance

There are several different types of life insurance products your representative can recommend, depending on your needs and circumstances. They include term insurance, whole life insurance, and universal life insurance. Some insurance policies provide coverage for a specified period of time (term insurance) while other policies provide coverage for your entire life (whole or universal life insurance). There are a variety of costs, benefits and features associated with these products that you should discuss with your representative prior to purchasing life insurance.

PACIFIC WEST's Revenue Sharing Disclosure for Fixed Insurance Products

While there are a large number of companies offering these products, we have chosen two independent insurance brokers for our sales of fixed insurance products – Creative Marketing International Corporation (CMIC) and Carrol & Associates.

PACIFIC WEST registered representatives who are licensed to sell fixed insurance products are NOT required to participate in the field marketing relationships we have with CMIC and Carrol & Associates. These independent insurance brokers and insurance company sponsors may choose to participate in our Marketing Programs giving them greater access to our representatives to provide educational and training opportunities. The current fee for participation in the 2010 Marketing Program ranges from \$7,500 to \$32,500. Not all sponsors participate at the same level. The program fee varies according to the events and activities the sponsor chooses to participate in, which include:

Conference Calls/Webinars, website exposure, Top Producer Event, Leadership Summit and exhibit booths.

How PACIFIC WEST and Your Representative are Compensated When you Buy a Fixed Insurance Product

PACIFIC WEST and your representative are paid based on the amount invested.

- PACIFIC WEST is paid by the fixed insurance company or insurance broker a small override based on the initial investment amount.
- Your representative receives a commission directly from the insurance company that is based on the amount invested. Pacific West does not share in a portion of this commission.
- In addition, ongoing payments (know as residuals or trails) on fixed products that are held in your account for more than one year are set by the insurance company and generally paid directly to the representative.

You should feel free to ask you representative how he or she will be compensated for any fixed product transaction and how that compensation any compare with another fixed product transaction.

529 PLANS

What is a 529 Plan?

A 529 plan is a savings plan for college education that allows you to accumulate funds and invest them on a tax-preferred basis in order to fund the costs of a college education. There are two categories of 529 plans -- (i) prepaid tuition plans and (ii) college savings plans.

A prepaid tuition plan allows you to save and invest funds to prepay tuition only at a qualified educational institution at today's tuition rates. A college savings plan on the other hand, allows you to use the invested funds for books, supplies, equipment, room and board as well as tuition. The amount of contributions that may be made and the permitted use of funds may vary depending on the specific 529 plan. For information concerning 529 plans we suggest you visit the College Savings Center on FINRA's website at (http://apps.finra.org/investor_Information/Smart/529/000100.asp) and consult with your representative.

Generally, you are provided with a choice of mutual funds in which to invest your contributions. Any accumulated earnings are non-taxable. Additionally, most states offer tax deductions to in-state residents who make contributions to the state sponsored 529 plans of their home state. For tax advice regarding 529 plans, please consult with your tax professional.

PACIFIC WEST's Revenue Sharing Disclosure for 529 Plans

PACIFIC WEST has no revenue sharing arrangements with 529 Plan sponsors. We are compensated as disclosed below.

How PACIFIC WEST and Your Representative are Compensated When you Buy a 529 Plan

PACIFIC WEST and your representative are paid in different ways for helping you choose a 529 plan.

Similar to mutual funds, PACIFIC WEST is paid by the fund family or distributor based on the fees you pay. Then, a portion of that payment goes to your representative.

- The compensation formula to determine the amount of payment for your representative is the same regardless of which 529 plan you purchase.
- PACIFIC WEST representatives do not receive a greater or lesser commission in connection with sales of 529 plans by the sponsors as distinct from other 529 plan issuers.

You should feel free to ask your representative how he or she will be compensated for any transaction involving a 529 plan and how that compensation may compare with another transaction involving a 529 plan.

PUBLIC DIRECT PARTICIPATION PROGRAMS AND REAL ESTATE INVESTMENT TRUST PROGRAMS

What is a Direct Participation Program (DPP)?

A DPP is a publicly registered program that generally takes the form of a partnership. As an investor in a DPP, the investor takes the role of a limited partner whereby he or she invests a specific amount of money. Unlike a corporation where profits are taxed at the corporate level prior to distribution to investors and then again at the individual level, the investor's share of profits earned through the limited partnership is taxed only at the individual level. Through this structure, DPPs allow investors to participate directly in the cash flow and tax benefits of the partnership. DPPs generally involve businesses that have a finite existence, such as real estate development, oil and gas drilling, and equipment leasing.

What is a Real Estate Investment Trust (REIT)?

A real estate investment trust, or "REIT," is a company that owns, and in most cases, operates income-producing real estate such as apartments, shopping centers, offices, hotels and warehouses. Some REITs also engage in financing real estate. While many REITs are listed and trade on the New York Stock Exchange and the American Stock Exchange, many others are not listed on an exchange.

PACIFIC WEST's Revenue Sharing Disclosure for Publicly Registered DPPs, Private DPPs and REITs

For the same reasons as cited above for mutual funds and variable annuities, PACIFIC WEST enters into revenue sharing arrangements with certain DPP and REIT sponsors. Again, these sponsors have greater access to our representatives to provide educational and training opportunities. Sponsors that participate in these revenue sharing arrangements include the following companies:

REITs:

American Realty Capital, Behringer Harvard, CNL, COLE, Griffin Capital, Grubb & Ellis, Healthcare Trust of America, Hines, Inland Securities Corp., KBS, Thompson National Properties, Wells, Dividend Capital

ENERGY:

Atlas, Bradford, Mewbourne, Noble Royalties, Reef, U.S. Energy

TENANT-IN-COMMON (TIC):

Inland Securities Corporation, Passco Companies, LLC

REAL ESTATE FUNDS

Poinsett Capital, Rainer Capital, RK Properties

LEASING:

Atel, Cypress, ICON Securities

MANAGED FUTURES:

Steben & Company

The current fee for participation in the 2010 Marketing Program ranges from \$7,500 to \$32,500. Not all sponsors participate at the same level and participation is voluntary. The program fee varies according to the events and activities the sponsor chooses to participate in, which include: Conference Calls/Webinars, website exposure, Top Producer Event, Leadership Summit and exhibit booths. Sponsors may also host events for individual representatives and their clients, such as educational seminars and client appreciation events. The fees for participating in these events vary according to the venue and the number of attendees.

How PACIFIC WEST and Your Representative are Compensated When You Buy DPPs and REITs

PACIFIC WEST and your representative are paid in different ways for helping you choose DPPs and REITs, depending on the type of investment and the amount invested.

- Similar to mutual funds and variable annuities, PACIFIC WEST is paid by the DPP or REIT sponsor based on the fees you pay. Then, a portion of that payment goes to your representative.
- The compensation formula to determine the amount of payment for your representative is the same regardless of which DPP or REIT you purchase.
- PACIFIC WEST representatives do not receive a greater or lesser commission in connection with sales of DPP or REIT contracts by the sponsors as distinct from other DPP or REIT provider.

You should feel free to ask your representative how he or she will be compensated for any DPP or REIT transaction and how that compensation may compare with another DPP or REIT transaction.

THIRD PARTY MONEY MANAGERS

In addition to the revenue sharing arrangements stated above, PACIFIC WEST also enters into revenue sharing arrangements with certain third party money managers ("managers"). Our representatives may engage such managers to assist in servicing your account, including, but not limited to, portfolio management, asset rebalancing, performance reporting, and billing. A manager is engaged only with your prior consent and subject to a separate agreement between you and the manager. These managers have greater access to our representatives to provide educational and training opportunities. Third party managers who participate in our due diligence and marketing programs include: Brandon, Brinker Capital, First Affirmative, Fox Hall, Frontier, Niemann Capital, Strategic Equity Management, The Pacific Financial Group, Weatherstone.

The current fee for participation in the 2010 Marketing Program ranges from \$7,500 to \$32,500. Not all sponsors participate at the same level and participation is voluntary. The program fee varies according to the events and activities the sponsor chooses to participate in, which include: Conference Calls/Webinars, website exposure, Top Producer Event, Leadership Summit and exhibit booths.

PACIFIC WEST receives revenue sharing payments from some managers to participate in the marketing and due diligence program. You are charged ordinary management fees by the manager (and negotiated between you and the manager) in connection with servicing your account. PACIFIC WEST does not charge you separate fees for the manager's services, however, PACIFIC WEST does receive a quarterly payment from a number of managers, of up to 0.0005 percent (5 basis points) per year for due diligence, based on a manager's total assets under management attributable to the

revenue sharing arrangement with PACIFIC WEST. PACIFIC WEST also receives a volume discount fee from a number of managers of 0.0005 percent (5 basis points) per year, based on the total assets under management. For example, if you hold \$10,000 in your account that is serviced by a third party money manager, PACIFIC WEST would receive up to \$5 per year.

Importantly, the compensation formula to determine the amount of payment for your representative is the same regardless of whether a third party money manager is used. In addition, PACIFIC WEST representatives do not receive a greater or lesser commission in connection with sales of certain products when a third party money manager is used.

The information in this disclosure document is as of September 2010.