

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3495 / October 29, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-15082

<p>In the Matter of</p> <p>BTS Asset Management, Inc.,</p> <p>Respondent.</p>
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**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 203(e) AND
203(k) OF THE INVESTMENT ADVISERS
ACT OF 1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against BTS Asset Management, Inc. (“BTS” or the “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

Summary

1. From at least the 1990s to 2010, BTS' advertisements for its High Yield Bond Fund Program ("HYP") claimed that the program had experienced "no down years" since 1981. The advertisements based the "no down years" claim on the performance of a model that applied BTS' buy/sell signals to, at various times, a single high yield bond fund, a composite of six high yield bond funds, or a composite of five high yield bond funds.¹ The advertisements contained disclosures stating that (1) the "no down years" claim was based on the application of HYP buy/sell signals to a single fund or a composite of five or six funds; (2) BTS would furnish the name(s) of the fund or funds on which the claim was based upon request; and (3) "results will vary with fund used."

2. In 2005, BTS became aware that, in contrast to the model performance reflected in the advertisements, approximately half of HYP's clients would have experienced a down year in 2004 (with losses of up to 3.3%) based on the application of HYP's buy/sell signals to the funds known by BTS to be held by the clients in the program. The fact that, on this basis, a significant percentage of HYP clients likely experienced investment results in 2004 that were materially different (*i.e.*, they had a down year) from the claims made in the advertisements BTS disseminated from 2005 to 2010 rendered those advertisements misleading.

Respondent

3. **BTS Asset Management, Inc.**, headquartered in Lexington, Massachusetts, is a registered investment adviser (SEC File No. 801-14895). BTS reported that, as of May 10, 2012, it had approximately \$1.5 billion in regulatory assets under management and about 14,000 client accounts.

The BTS High Yield Bond Fund Program

4. The HYP, whose inception date was January 2, 1981, is a high yield bond fund program that seeks to apply buy/sell signals to mutual funds or variable annuities in the high yield bond sector that are not affiliated with BTS with the goal of investing in the high yield bond market when it is moving up, and moving assets into a related money market fund when high yield bonds are moving down. For the typical HYP client, capital preservation is a primary consideration. Since 1981, most of the investors who became HYP clients came to BTS through referrals from registered representatives of unaffiliated broker-dealers ("referring agents") who received a portion of the advisory fees that these clients paid to BTS. The remaining HYP clients came to BTS through registered representatives of BTS' affiliated broker-dealer.

5. Each HYP client chooses the high yield bond fund and money market fund in which to

¹ None of these funds were affiliated with BTS.

invest and to which BTS applies its buy/sell signals. When it issues a buy/sell signal, BTS moves each HYP client's investment between the high yield bond fund and the money market fund the client has chosen pursuant to discretionary authority provided to BTS by the client.

The 2005 "No Down Years" Advertisement

6. From at least the 1990s, BTS' advertisements for the HYP claimed that the program had experienced "no down years" since its inception in January 1981. In early 2005, BTS disseminated a one-page advertisement to prospective referring agents, the form of which it had been using since at least 1997. BTS knew when it distributed this advertisement that the registered representatives to whom it sent the advertisement might ultimately show the advertisement or describe its contents to prospective HYP clients. In the top left section of this advertisement, in large print, BTS made the following statements:

Lost money in the past 5 years with stocks?
BTS High Yield program has:
1) No down year in 24 years¹ . . .

The footnote placed at the end of the "no down years" claim, which appeared in small print on the right side of the advertisement, stated that:

¹The performance shown reflects the highest advisory fees charged by BTS during the applicable period. Advisory fees will vary depending on account size. The returns presume all dividends and capital gains are reinvested. Past performance is not indicative of future results, including the possibility of principal loss.

The performance shown reflects hypothetical results based upon investment in a single popular high yield bond fund during buy signals issued by BTS and investment in a single money-market during sell signals issued by BTS. High Yield bond fund name furnished upon request. The performance shown is net of applicable sales loads and timing fees. Results will differ depending on the specific fund(s) selected. Actual results may vary.

This advertisement is attached as Exhibit A.

The 2005-2010 “No Negative Years” Advertisements

7. In 2005, BTS distributed to its existing referring agents a two-page advertisement, the form of which it had been using since at least 1995. At the top of the second page of this advertisement, BTS set forth the following statement:

BTS High Yield Bond Program Vs. Investment Benchmarks

\$100,000 INITIAL INVESTMENT
24 Years (since inception)* ending December 31, 2004

	Number of negative <u>Years</u>	<u>Worst Year</u>	
BTS High Yield Bond Program	0	2.04%	2004
S&P 500	5**	-22.09%	2002
Lehman Credit Bond Index	2**	-3.92%	1994
Lehman Gov't Bond Index	2**	-3.37%	1994

Below it, BTS stated:

BTS = total dollar and annual compound return of the most popular High Yield bond fund in terms of assets using BTS buy/sell signals; name of fund furnished upon request. Performance includes reinvestment of dividends and capital gains. Advisory fees and sales charges have been deducted. Results will vary with fund used.

BTS knew when it distributed this advertisement that the registered representatives to whom it sent the advertisement might ultimately show the advertisement or describe its contents to prospective HYP clients. This advertisement is attached as Exhibit B.

8. During each year from 2006 to 2010, BTS distributed an updated version of the advertisement referred to in paragraph 7 above to its existing referring agents (*e.g.*, the 2010 advertisement stated that the program had experienced no negative years over the last 29 years). At the end of each of these advertisements, BTS placed a disclaimer that was substantively similar to the disclaimer set forth above. These advertisements are attached as Exhibit C.

The Fall 2008 Advertisements

9. In the fall of 2008, BTS created and disseminated to its referring agents three one-page advertisements that were intended to be mailed out by the referring agents to prospective HYP clients.

One of these advertisements read as follows:

Are you tired of trying to ride out market corrections? Are you looking for a way to reduce the risk in your portfolio without giving up all of the growth potential? If the answers to these questions is yes, then you may be interested in learning about a bond strategy that seeks to preserve capital during market declines while still producing strong returns over time. This strategy has avoided negative annual returns for 27 years.*

At the bottom of the advertisement, there appeared an asterisk that said “Please see important information on the reverse side→.” The disclaimer on the reverse side read as follows:

Results are based on the performance of the BTS Asset Management High Yield Program (inception date of 1/2/1981) using a composite of five high yield bond funds using BTS buy/sell signals. The composite is a BTS derived composite of high yield bond funds that have existed since the inception of the BTS High Yield Program and have been used with the High Yield Program. Depending on the high yield mutual funds or variable annuity sub-accounts used, not all clients experienced no down years in 27 years. Results will vary with fund used.

This advertisement is attached as Exhibit D.

10. The other two fall 2008 advertisements had very similar content and included the same disclaimer as the advertisement described above. These advertisements are attached as Exhibit E.

11. The statement that “Depending on the high yield mutual funds or variable annuity sub-accounts used, not all clients experienced no down years” was not included in either the 2009 or the 2010 versions of the “No Negative Years” advertisement. These advertisements are included in attached Exhibit C.

The Performance Results Experienced by HYP Clients and BTS' Knowledge of Same

12. In 2005, BTS knew that approximately half of HYP's clients would have experienced losses in 2004 of up to 3.3% based on the application of HYP's buy/sell signals to the funds used by the clients in the program.² Nonetheless, BTS negligently distributed the above-referenced advertisements.

Violations

13. Each of the advertisements referred to in paragraphs 6 through 11 above was materially misleading because it failed to disclose with sufficient prominence and detail that, in 2004, a significant number of HYP clients would have experienced investment results that were materially different from the results portrayed in the model based on the application of HYP's buy/sell signals to the funds used by the clients in the program. By reason of the foregoing, BTS willfully³ violated Section 206(4) of the Advisers Act and Rule 206(4)-1(a)(5) thereunder because by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, BTS negligently engaged in acts, practices, or courses of business which were fraudulent, deceptive or manipulative by, directly or indirectly, publishing, circulating, or distributing an advertisement that was misleading.

BTS' Remedial Efforts

14. In determining to accept Respondent's Offer, the Commission considered the remedial acts undertaken by BTS and the cooperation BTS afforded the Commission staff.

Undertakings

15. Order Notification

- a. Within thirty (30) days of the issuance of this Order, BTS undertakes to mail a copy of the Form ADV which incorporates the paragraphs contained in Section III of this Order to each of BTS' existing clients, and specifies that the entire Order will be posted on the homepage of BTS' website.

² In fact, an analysis conducted by a forensic accounting firm retained by BTS in 2011 estimated that, based on the application of HYP's buys/sell signals to the funds used by the clients in the program, 1,704 clients, representing 54.1% of the total (and 55.3% of the assets under management in the HYP), experienced a down year in 2004 and that the most any single client lost in that year was 3.3%.

³ A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

- b. Within thirty (30) days of the issuance of this Order, BTS also undertakes to post a copy of this Order on the homepage of BTS' website and to maintain this copy of the Order on the homepage of BTS' website for a period of six (6) months.
- c. BTS further undertakes to provide a copy of the Form ADV to any new client that engages BTS within one (1) year of the issuance of this Order.

16. Independent Compliance Consultant

- a. BTS shall retain, within 30 days of the date of entry of the Order, the services of an Independent Compliance Consultant not unacceptable to the staff of the Commission. The Independent Compliance Consultant's compensation and expenses shall be borne exclusively by BTS. BTS shall require the Independent Compliance Consultant to conduct a review of the BTS compliance policies and procedures that the Independent Compliance Consultant deems relevant with respect to the publication, circulation, or distribution of advertisements under Section 206(4) of the Advisers Act and Rule 206(4)-1(a)(5) thereunder;
- b. At the end of the review, which in no event shall be more than three (3) months after the date of the issuance of this Order, BTS shall require the Independent Compliance Consultant to submit to BTS and to the Asset Management Unit in the Commission's Boston Regional Office an Initial Report. The Initial Report shall describe the review performed, the conclusions reached, and shall include any recommendations deemed necessary to make the policies and procedures adequate. BTS may suggest an alternative procedure designed to achieve the same objective or purpose as that of the recommendation of the Independent Compliance Consultant. The Independent Compliance Consultant shall evaluate any alternative procedure proposed by BTS. However, BTS shall abide by the Independent Compliance Consultant's final recommendation;
- c. Within six (6) months after the date of issuance of this Order, BTS shall, in writing, advise the Independent Compliance Consultant and the Asset Management Unit in the Commission's Boston Regional Office of the recommendations it is adopting;
- d. Within nine (9) months after the date of issuance of this Order, BTS shall require the Independent Compliance Consultant to complete its review and submit a written final report to BTS and the Asset Management Unit in the Commission's Boston Regional Office. The Final Report shall describe the review made of BTS' compliance policies and procedures relating to the publication, circulation, or distribution of advertisements under Section 206(4) of the Advisers Act and Rule 206(4)-1(a)(5) thereunder; set forth the conclusions reached and the recommendations made by the Independent Compliance Consultant, as well as any proposals made by BTS; and

describe how BTS is implementing the Independent Compliance Consultant's final recommendations;

- e. BTS shall take all necessary and appropriate steps to adopt and implement all recommendations contained in the Independent Compliance Consultant's Final Report;
- f. No later than three (3) months after the date of the Independent Compliance Consultant's Final Report, BTS shall submit to the Asset Management Unit in the Commission's Boston Regional Office an affidavit setting forth the details of its efforts to implement the Independent Compliance Consultant's recommendations as set forth in the Final Report and its compliance with same;
- g. For good cause shown and upon timely application by the Independent Compliance Consultant or BTS, the Commission's staff may extend any of the deadlines set forth in these undertakings;
- h. BTS shall require the Independent Compliance Consultant to enter into an agreement providing that for the period of the engagement and for a period of two years from completion of the engagement, the Independent Compliance Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with BTS, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. The agreement will also provide that the Independent Compliance Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Compliance Consultant in the performance of his or her duties under this Order shall not, without prior written consent of the Asset Management Unit in the Commission's Boston Regional Office, enter into any employment, consultant, attorney-client, auditing or other professional relationship with BTS, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

17. BTS shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission's staff may make reasonable requests for further evidence of compliance, and BTS agrees to provide such evidence. The certification and supporting material shall be submitted to Kevin M. Kelcourse, Assistant Director, Asset Management Unit, Boston Regional Office, Securities and Exchange Commission, 33 Arch Street, Suite 2300, Boston, MA 02110, with a copy to the Office of the Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 203(e), 203(i), and 203(k) of the Advisers Act, it is hereby ORDERED that:

- A. BTS shall cease and desist from committing or causing any violation and any future violation of Section 206(4) of the Advisers Act and Rule 206(4)-1(a)(5) thereunder.
- B. BTS is censured.
- C. BTS shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$200,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Such payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies BTS as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order, check, or proof of wire transfer shall be sent to Kevin M. Kelcourse, Assistant Director, Asset Management Unit, Boston Regional Office, Securities and Exchange Commission, 33 Arch Street, Suite 2300, Boston, MA 02110.
- D. BTS shall comply with the undertakings as enumerated in Sections III.15.-17. above.

By the Commission.

Elizabeth M. Murphy
Secretary

Exhibit A

Lost money in the past 5 years with stocks?

BTS High Yield program has:

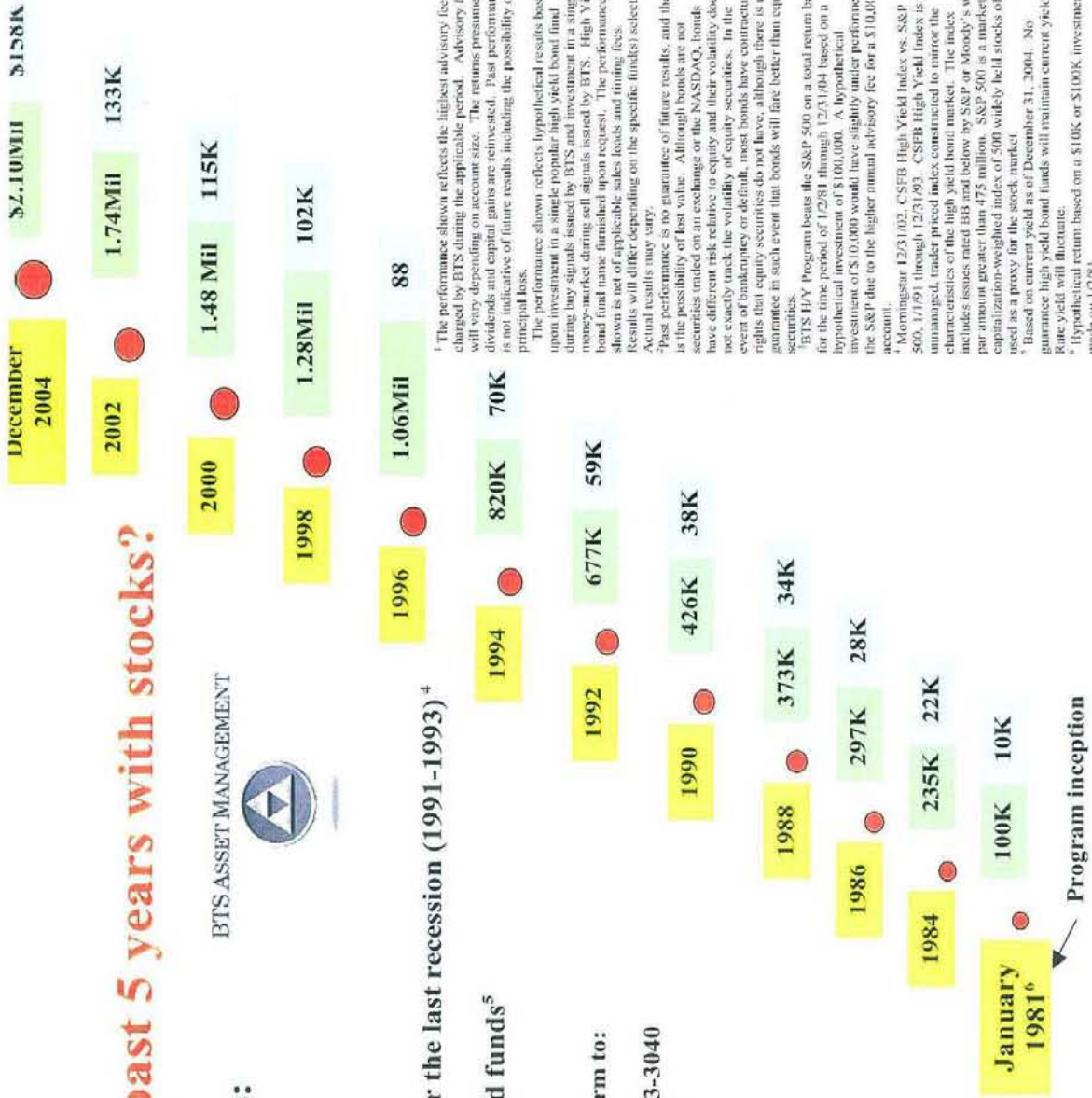
- 1) No down year in 24 years¹
- 2) Less risk than the stock market²
- 3) Beat the S&P 500³
- 4) High Yields beat the S&P 500 after the last recession (1991-1993)⁴
99.4% vs. 54.6% total return
- 5) 7% current yield on most high yield funds⁵

For more information call or fax this form to:
BTS Asset Management
Fax: 1-781-860-9051 Phone: 1-800-343-3040
Or reply with enclosed return envelope

Name: _____
 Address: _____

 Phone: _____
 Email: _____
 Mutual Funds and Variable Annuities currently using: _____

BTS ASSET MANAGEMENT



¹ The performance shown reflects the highest advisory fees charged by BTS during the applicable period. Advisory fees will vary depending on account size. The returns presume all dividends and capital gains are reinvested. Past performance is not indicative of future results including the possibility of principal loss.

² The performance shown reflects hypothetical results based upon investment in a single popular high yield bond fund during buy signals issued by BTS and investment in a single money-market during sell signals issued by BTS. High Yield bond fund name furnished upon request. The performance shown is net of applicable sales loads and timing fees. Results will differ depending on the specific funds selected. Actual results may vary.

³ Past performance is no guarantee of future results, and there is the possibility of lost value. Although bonds are not securities traded on an exchange or the NASDAQ, bonds have different risk relative to equity and their volatility does not exactly track the volatility of equity securities. In the event of bankruptcy or default, most bonds have contractual rights that equity securities do not have, although there is no guarantee in such event that bonds will fare better than equity securities.

⁴ BTS HY Program beats the S&P 500 on a total return basis for the time period of 1/2/81 through 12/31/04 based on a hypothetical investment of \$100,000. A hypothetical investment of \$10,000 would have slightly underperformed the S&P due to the higher annual advisory fee for a \$10,000 account.

⁵ Morningstar 12/31/02, CSEB High Yield Index vs. S&P 500, 1/1/91 through 12/31/93. CSEB High Yield Index is an unmanaged, trader priced index constructed to mirror the characteristics of the high yield bond market. The index includes issues rated BB and below by S&P or Moody's with par amount greater than 475 million. S&P 500 is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

⁶ Based on current yield as of December 31, 2004. No guarantee high yield bond funds will maintain current yield. Rate yield will fluctuate.

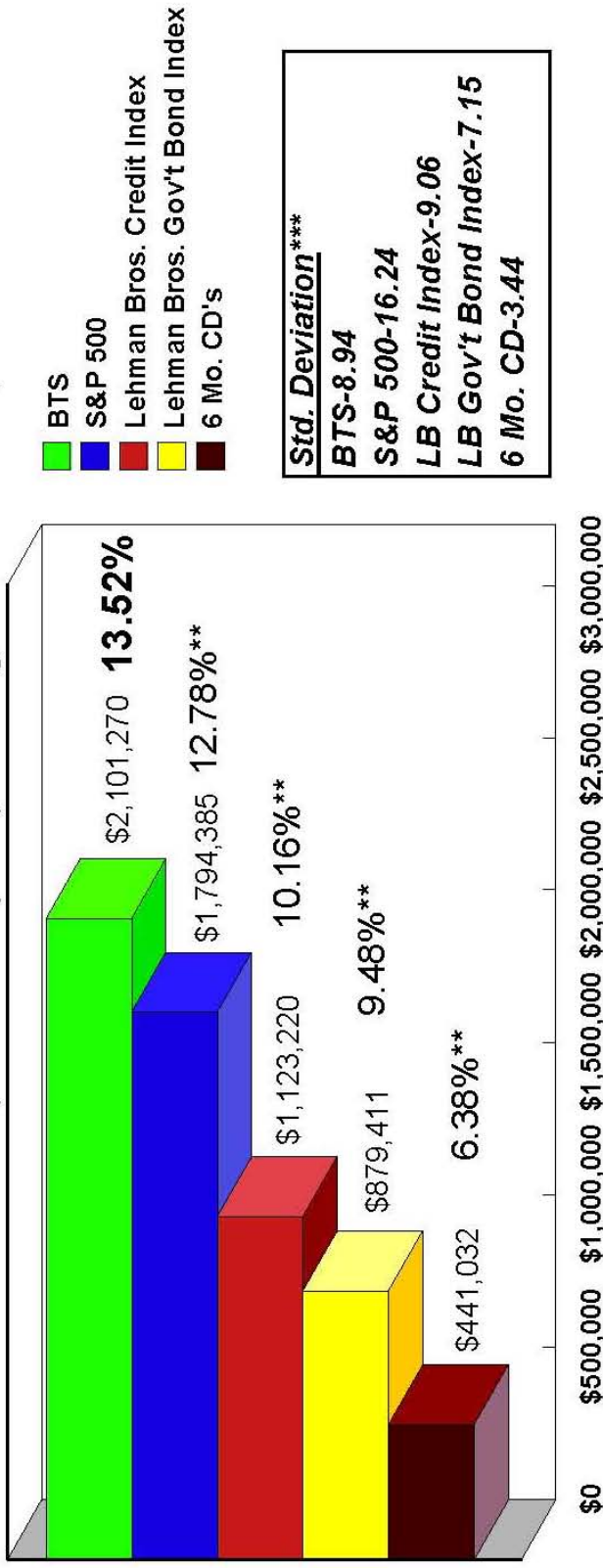
⁷ Hypothetical return based on a \$10K or \$100K investment made on 1/2/81

Exhibit B



BTS High Yield Bond Program versus Investment Benchmarks

\$100,000 INITIAL INVESTMENT
24 Years (Since Inception)* ending December 31, 2004



PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

BTS=total dollar and annual compound return of the most popular High Yield bond fund in terms of assets using BTS buy/sell signals; name of fund furnished upon request. Performance includes reinvestment of dividends and capital gains. Advisory Fees and sales charges have been deducted. Results will vary with fund used. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within this 2-3 day time period is likely to affect the results of the above illustration. All recommendations for the past year furnished upon request. Results reflect generally rising securities markets and will fluctuate with market and other economic conditions. This illustration uses the maximum fee based on the size of the investment as noted at the top of this sheet. BTS fees vary depending on investment amount and program.

*Inception=beginning of BTS High Yield Program: Jan. 2nd, 1981

**Source: Dec. 2004 Morningstar

***Standard Deviation=a financial industry standard used to measure risk correlation to returns over time.

BTS High Yield Bond Program Vs. Investment Benchmarks

\$100,000 INITIAL INVESTMENT
24 Years (since inception)* ending December 31, 2004

	<u>Number of negative Years</u>	<u>Worst Year</u>
BTS High Yield Bond Program	0	2.04% 2004
S&P 500	5**	-22.09% 2002
Lehman Credit Bond Index	2**	-3.92% 1994
Lehman Gov't Bond Index	2**	-3.37% 1994

PAST PERFORMANCE DOES NOT GAURANTEE FUTURE RESULTS

BTS=total dollar and annual compound return of the most popular High Yield bond fund in terms of assets using BTS buy/sell signals; name of fund furnished upon request. Performance includes reinvestment of dividends and capital gains. Advisory Fees and sales charges have been deducted. Results will vary with fund used. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within this 2-3 day time period is likely to affect the results of the above illustration. All recommendations for the past year furnished upon request. Results reflect generally rising securities markets and will fluctuate with market and other economic conditions. This illustration uses the maximum fee based on the size of the investment as noted at the top of this sheet. BTS fees vary depending on investment amount and program.

*Inception=beginning of BTS High Yield Program: Jan. 2nd, 1981

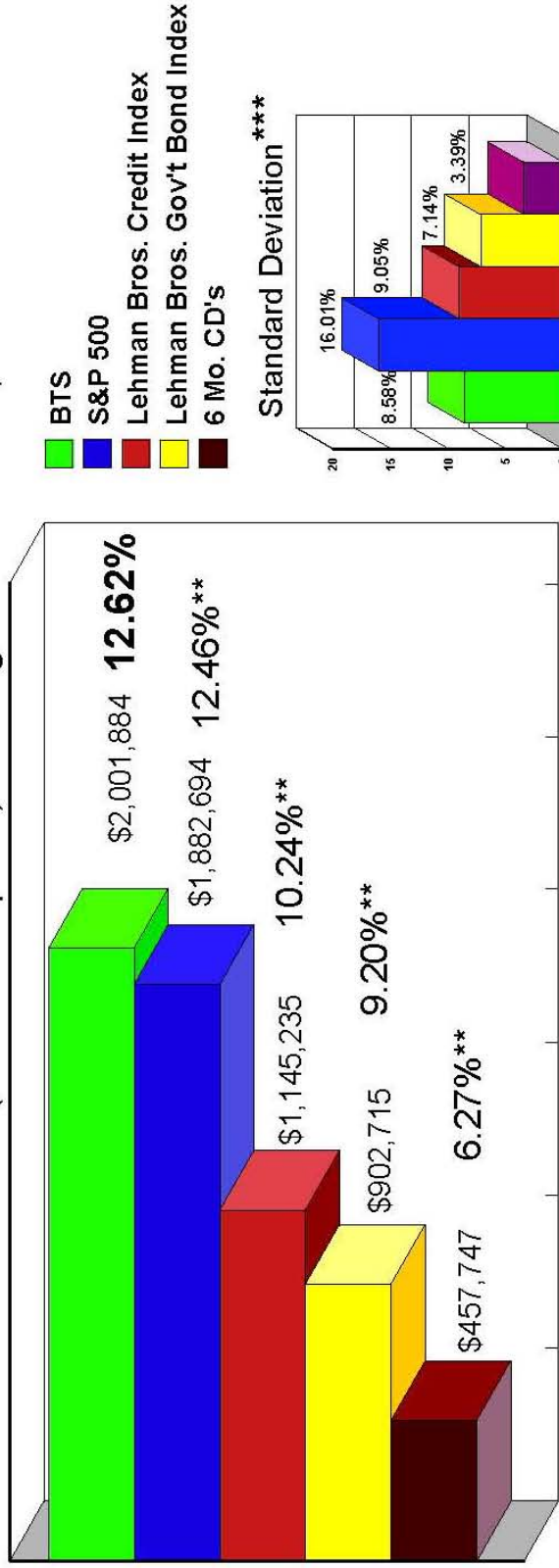
**Source; Dec. 2004 Morningstar

Exhibit C



BTS High Yield Bond Program versus Investment Benchmarks

\$100,000 INITIAL INVESTMENT
25 Years (Since Inception)* ending December 31, 2005



\$0 \$500,000 \$1,000,000 \$1,500,000 \$2,000,000 \$2,500,000 \$3,000,000

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

BTS=total dollar and annual compound return of a composite of six high yield bond funds using BTS buy/sell signals. The composite is a BTS derived composite of high yield bond funds that have existed since at least the inception of the BTS High Yield Program and have a history of working well with the High Yield Program. The composite consists of high yield funds that clients may or may not be able to invest in directly while employing the BTS High Yield Program. Name of funds furnished upon request. Performance includes reinvestment of dividends and capital gains. Advisory fees and sales charges have been deducted. This illustration uses the maximum fee based on the size of the investment as noted at the top of this sheet. BTS fees vary depending on investment amount and program. Results will vary with fund used. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within this 2-3 day time period is likely to affect the results of the above illustration. All recommendations for the past year furnished upon request. Results reflect generally rising securities markets and will fluctuate with market and other economic conditions.

*Inception=beginning of BTS High Yield Program: January 2nd, 1981

**Source: Morningstar December 2005

***Standard deviation is applied to the annual rate of return of an investment, to measure the investment's volatility, or "risk".

BTS High Yield Bond Program Vs. Investment Benchmarks

\$100,000 INITIAL INVESTMENT
25 Years (since inception)* ending December 31, 2005

	<u>Number of negative Years</u>	<u>Worst Year</u>
BTS High Yield Bond Program	0	2.79% 2004
S&P 500	5**	-22.09% 2002
Lehman Credit Bond Index	2**	-3.92% 1994
Lehman Gov't Bond Index	2**	-3.37% 1994

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

BTS=total dollar and annual compound return of a composite of six high yield bond funds using BTS buy/sell signals. The composite is a BTS derived composite of high yield bond funds that have existed since at least the inception of the BTS High Yield Program and have a history of working well with the High Yield Program. The composite consists of high yield funds that clients may or may not be able to invest in directly while employing the BTS High Yield Program. Name of funds furnished upon request. Performance includes reinvestment of dividends and capital gains. Advisory fees and sales charges have been deducted. This illustration uses the maximum fee based on the size of the investment as noted at the top of this sheet. BTS fees vary depending on investment amount and program. Results will vary with fund used. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within this 2-3 day time period is likely to affect the results of the above illustration. All recommendations for the past year furnished upon request. Results reflect generally rising securities markets and will fluctuate with market and other economic conditions.

*Inception=beginning of BTS High Yield Program: January 2nd, 1981

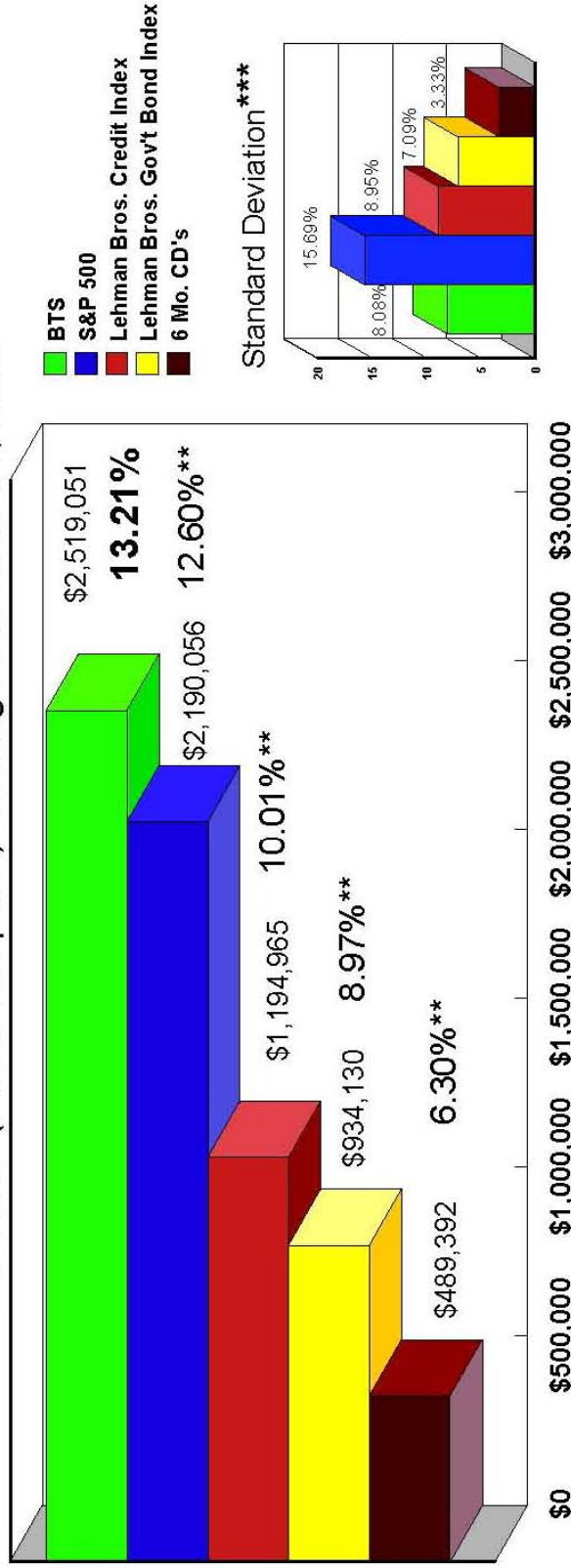
**Source: Morningstar December 2005



BTS High Yield Bond Program versus Investment Benchmarks

\$100,000 INITIAL INVESTMENT

26 Years (Since Inception)* ending December 31, 2006



PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

BTS=total dollar and annual compound return of a composite of five high yield bond funds using BTS buy/sell signals. The composite is a BTS derived composite of high yield bond funds that have existed since at least the inception of the BTS High Yield Program and have a history of working well with the High Yield Program. The composite consists of high yield funds that clients may or may not be able to invest in directly while employing the BTS High Yield Program. Name of funds furnished upon request. Performance includes reinvestment of dividends and capital gains. Advisory fees and sales charges have been deducted. This illustration uses the maximum fee based on the size of the investment as noted at the top of this sheet. BTS fees vary depending on investment amount and program. Results will vary with fund used. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within this 2-3 day time period is likely to affect the results of the above illustration. All recommendations for the past year furnished upon request. Results reflect generally rising securities markets and will fluctuate with market and other economic conditions.

*Inception=beginning of BTS High Yield Program: January 2nd, 1981

**Source: Morningstar December 2006

***Standard deviation is applied to the annual rate of return of an investment, to measure the investment's volatility, or "risk".

BTS High Yield Bond Program Vs. Investment Benchmarks

\$100,000 INITIAL INVESTMENT
26 Years (since inception)* ending December 31, 2006

	<u>Number of negative Years</u>	<u>Worst Year</u>
BTS High Yield Bond Program	0	3.28% 2004
S&P 500	5**	-22.10% 2002
Lehman Credit Bond Index	2**	-3.92% 1994
Lehman Gov't Bond Index	2**	-3.37% 1994

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

BTS=total dollar and annual compound return of a composite of five high yield bond funds using BTS buy/sell signals. The composite is a BTS derived composite of high yield bond funds that have existed since at least the inception of the BTS High Yield Program and have a history of working well with the High Yield Program. The composite consists of high yield funds that clients may or may not be able to invest in directly while employing the BTS High Yield Program. Name of funds furnished upon request. Performance includes reinvestment of dividends and capital gains. Advisory fees and sales charges have been deducted. This illustration uses the maximum fee based on the size of the investment as noted at the top of this sheet. BTS fees vary depending on investment amount and program. Results will vary with fund used. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within this 2-3 day time period is likely to affect the results of the above illustration. All recommendations for the past year furnished upon request. Results reflect generally rising securities markets and will fluctuate with market and other economic conditions.

*Inception=beginning of BTS High Yield Program: January 2nd, 1981

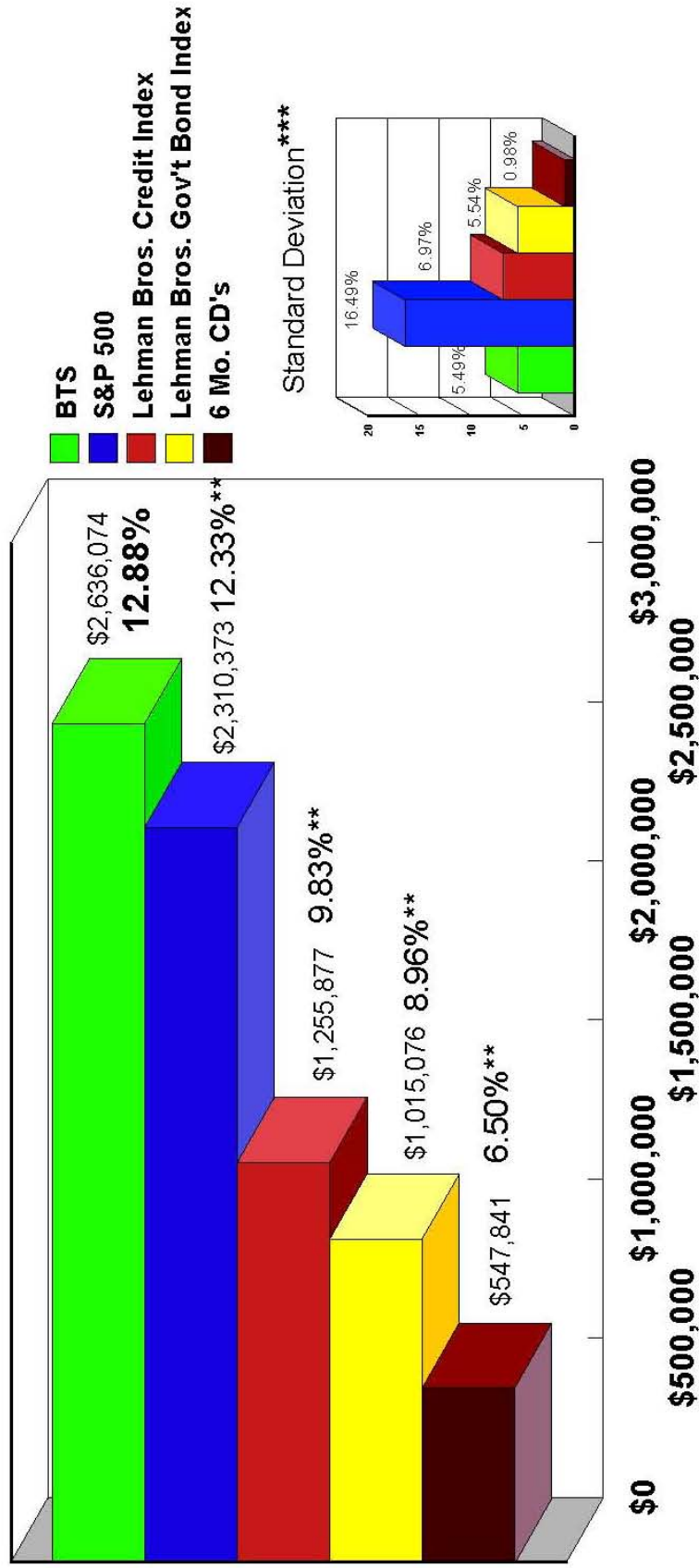
**Source: Morningstar December 2006



BTS High Yield Bond Program versus Investment Benchmarks

\$100,000 INITIAL INVESTMENT

27 Years (Since Inception)* ending December 31, 2007



PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

See additional information on the bottom of page 2.

BTS High Yield Bond Program Vs. Investment Benchmarks

\$100,000 INITIAL INVESTMENT

27 Years (since inception)* ending December 31, 2007

Number of negative

	<u>Years</u>	<u>Worst Year</u>
BTS High Yield Bond Program	0	3.28% 2004
S&P 500	5**	-22.10% 2002
Lehman Credit Bond Index	2**	-3.92% 1994
Lehman Gov't Bond Index	2**	-3.37% 1994

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

BTS=total dollar and annual compound return of a composite of five high yield bond funds using BTS buy/sell signals. The composite is a BTS derived composite of high yield bond funds that have existed since at least the inception of the BTS High Yield Program and have been used with the High Yield Program. The composite consists of high yield funds that clients may or may not be able to invest in directly while employing the BTS High Yield Program. Name of funds furnished upon request. Performance includes reinvestment of dividends and capital gains. Advisory fees and sales charges have been deducted. This illustration uses the maximum fee based on the size of the investment as noted at the top of this sheet. BTS fees vary depending on investment amount and program. Results will vary with fund used. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within this 2-3 day time period is likely to affect the results of the above illustration. All recommendations for the past year furnished upon request. Results reflect generally rising securities markets and will fluctuate with market and other economic conditions.

S&P – A basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value, and its performance is thought to be representative of the stock market as a whole.
 Lehman Brothers Credit Index – Includes all publicly issued, fixed-rate, non-convertible investment grade corporate debt; the index is composed of both U.S. and Brady bonds.
 Lehman Brothers Government Bond Index – Measures all publicly issued bonds issued by the U.S. government or its agencies with maturities of over one year.

6 Month CD - The Citigroup U.S. Domestic 6 Mo CD TR is an index created from a rotating sample of five banks and dealers surveyed daily on secondary market dealer offer rates for jumbo certificates of deposit.

*Inception=beginning of BTS High Yield Program: January 2nd, 1981

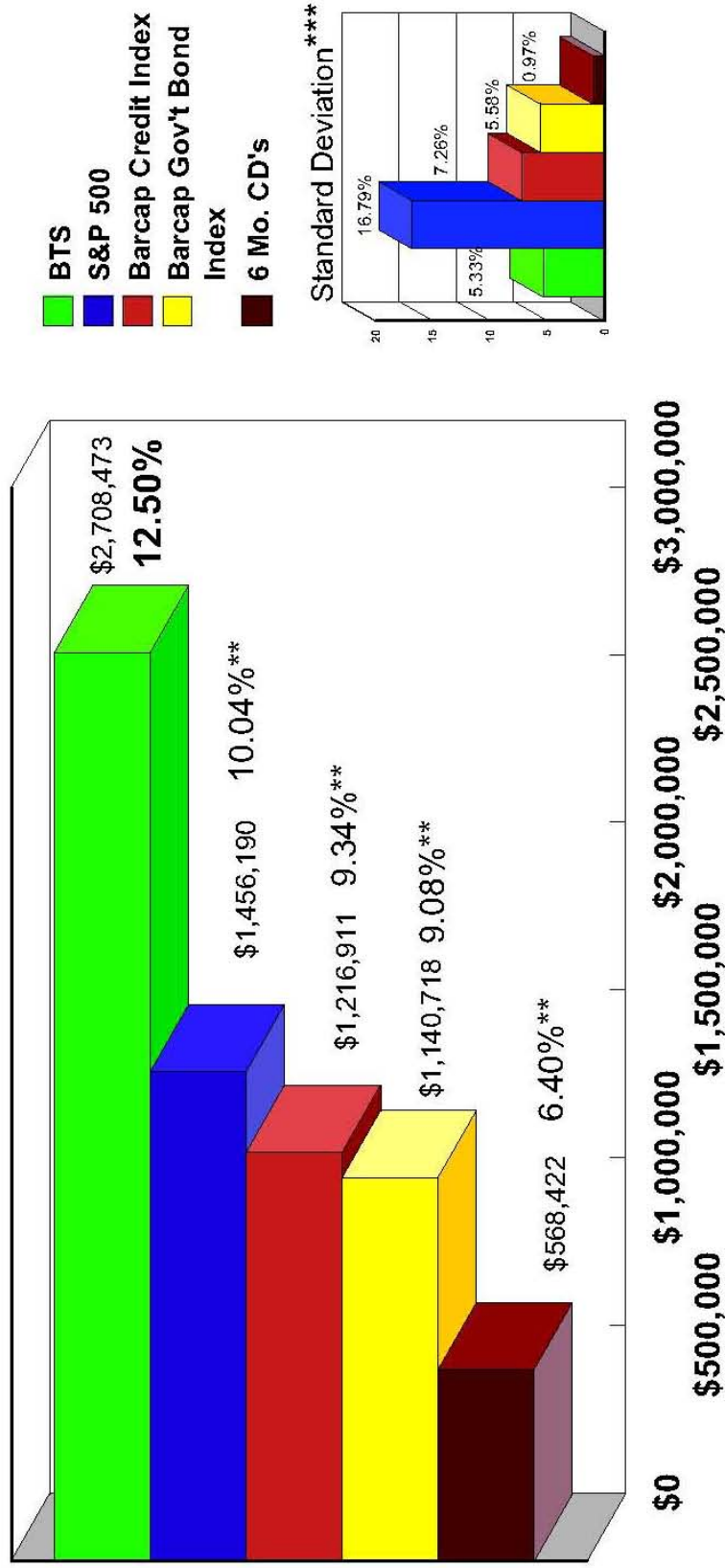
**Source: Morningstar December 2007



BTS High Yield Bond Program versus Investment Benchmarks

\$100,000 INITIAL INVESTMENT

28 Years (Since Inception)* ending December 31, 2008



PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

See additional information on the bottom of page 2.

BTS High Yield Bond Program Vs. Investment Benchmarks

\$100,000 INITIAL INVESTMENT

28 Years (since inception)* ending December 31, 2008

Number of negative

	<u>Years</u>	<u>Worst Year</u>
BTS High Yield Bond Program	0	2.82% 2008
S&P 500	6**	-37.00% 2008
BarCap US Credit Index	3**	-3.93% 1994
BarCap US Gov't Index	2**	-3.38% 1994

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

BTS: Total dollar and annual compound return of a composite of five high yield bond funds using BTS buy/sell signals. The composite is a BTS derived composite of high yield bond funds that have existed since at least the inception of the BTS High Yield Program and have been used with the High Yield Program. The composite consists of high yield funds that clients may or may not be able to invest in directly while employing the BTS High Yield Program. Name of funds furnished upon request. Performance includes reinvestment of dividends and capital gains. Advisory fees and sales charges have been deducted. This illustration uses the maximum fee based on the size of the investment as noted at the top of this sheet. BTS fees vary depending on investment amount and program. Results will vary with fund used. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within this 2-3 day time period is likely to affect the results of the above illustration. All recommendations for the past year furnished upon request. Results reflect generally rising securities markets and will fluctuate with market and other economic conditions. As with any investment, loss of capital is possible.

Risks: Investing in bond mutual funds carries some risks including; credit risk, which is the risk that the issuers of the bonds owned by a fund may default (fail to pay the debt that they owe on the bonds that they have issued), prepayment risk, which is the risk that the issuers of the bonds owned by a fund will prepay them at a time when interest rates have declined, and interest rate risk, which is the risk that the market value of the bonds owned by a fund will fluctuate as interest rates go up and down. High yield bonds generally have higher default risk than other types of bonds.

Indices: S&P – A basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value, and its performance is thought to be representative of the stock market as a whole; Barclays Capital Credit Index – Includes all publicly issued, fixed-rate, non-convertible investment grade corporate debt; the index is composed of both U.S. and Brady bonds; Barclays Capital Government Bond Index – Measures all publicly issued bonds issued by the U.S. government or its agencies with maturities of over one year. Volatility of the indexes is materially different from that of the portfolio
6 Month CD - The Citigroup U.S. Domestic 6 Mo CD TR is an index created from a rotating sample of five banks and dealers surveyed daily on secondary market dealer offer rates for jumbo certificates of deposit. Bank CDs are FDIC insured.

BTS Asset Management is affiliated with BTS Securities Corporation. Securities offered through BTS Securities Corporation and other FINRA member firms. Advisory services offered through BTS Asset Management.

*Inception = beginning of BTS High Yield Program: January 2nd, 1981

**Source: Morningstar December 2008

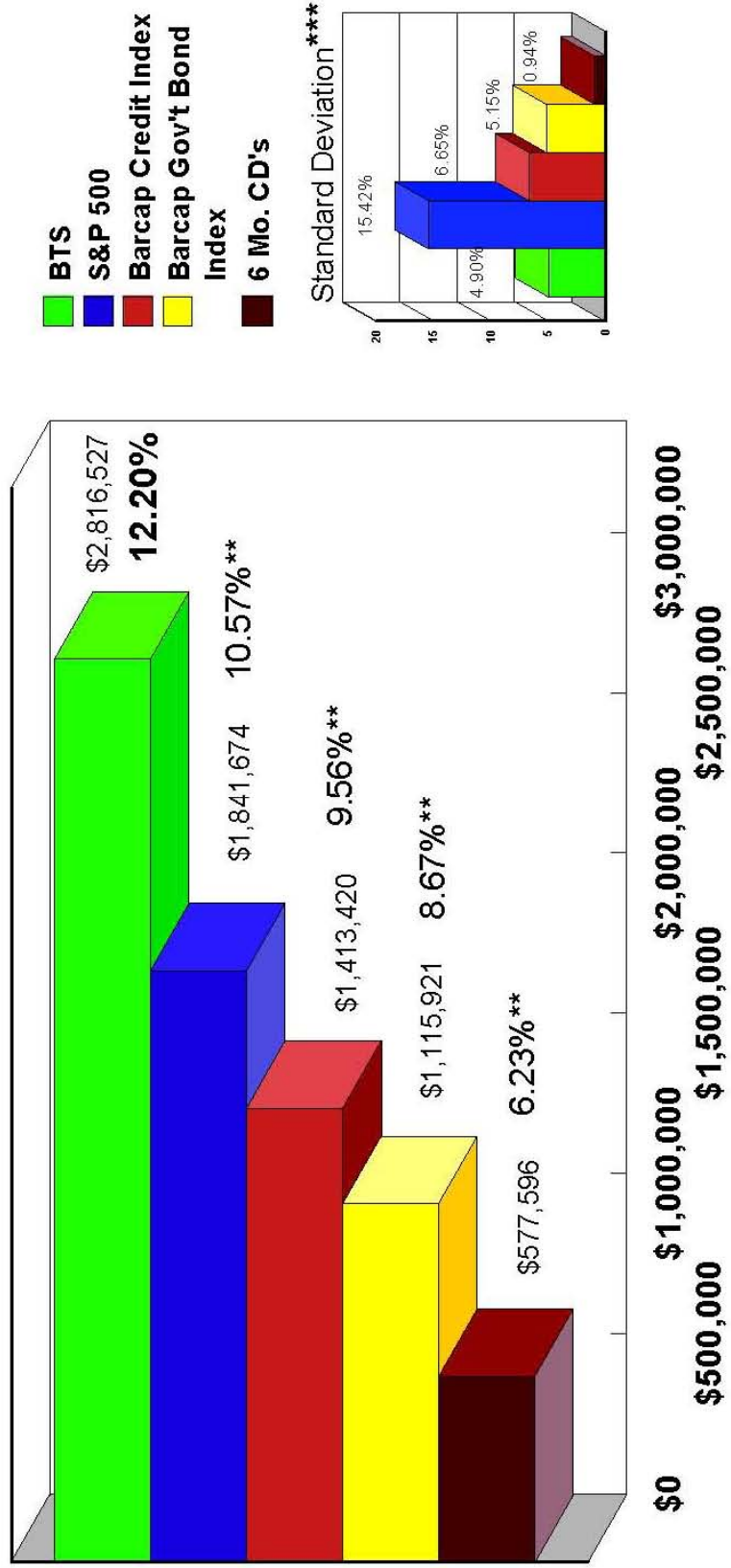
*** Standard Deviation = measures the degree of variation of returns around the average return; the higher the volatility the higher the standard deviation



BTS High Yield Bond Program versus Investment Benchmarks

\$100,000 INITIAL INVESTMENT

29 Years (Since Inception)* ending December 31, 2009



PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

See additional information on the bottom of page 2.

BTS High Yield Bond Program vs. Investment Benchmarks

\$100,000 INITIAL INVESTMENT

29 Years (since inception)* ending December 31, 2009

Number of negative

	<u>Years</u>	<u>Worst Year</u>
BTS High Yield Bond Program	0	2.82% 2008
S&P 500	6**	-37.00% 2008
BarCap Credit Bond Index	3**	-3.92% 1994
BarCap Gov't Bond Index	3**	-3.37% 1994

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

BTS: Returns of the High Yield Program from its inception on 1/2/81 through 6/30/06 uses a high yield bond composite and T-Bill. The high yield composite consists of 5 high yield mutual funds that have been in existence since the program's inception and have been used with BTS programs. Clients may or may not have been able to invest directly in these funds while employing the BTS High Yield Program. Name of funds furnished upon request. For performance since 7/1/06, Select HY returns were used. All recommendations for the past year furnished upon request. In Select HY, BTS selects the funds. The inception date of Select HY is 7/1/06. Select HY returns are used to show performance since 7/1/06 because BTS believes this to be the more desirable HY Program. The average annual return for the HY Program from 1/2/81 to 6/30/06 was 11.91%. The average annual return for the Select HY Program from 7/1/06 to 12/31/09 was 4.29%. Performance results are net of the maximum annual fees for a hypothetical \$100,000 account charged quarterly, in advance. BTS fees vary depending on investment amount and program. Performance includes reinvestment of dividends and capital gains. Results will vary with fund used. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within this 2-3 day time period is likely to affect the results of the above illustration. Results reflect generally rising securities markets and will fluctuate with market and other economic conditions. As with any investment, loss of capital is possible.

Risks: Investing in bond mutual funds carries some risks including: credit risk, which is the risk that the issuers of the bonds owned by a fund may default (fail to pay the debt that they owe on the bonds that they have issued), prepayment risk, which is the risk that the issuers of the bonds owned by a fund will prepay them at a time when interest rates have declined, and interest rate risk, which is the risk that the market value of the bonds owned by a fund will fluctuate as interest rates go up and down. High yield bonds generally have higher default risk than other types of bonds.

Indexes: S&P – A basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value, and its performance is thought to be representative of the stock market as a whole; Barclays Capital Credit Index – Includes all publicly issued, fixed-rate, non-convertible investment grade corporate debt; the index is composed of both U.S. and Brady bonds; Barclays Capital Government Bond Index – Measures all publicly issued bonds issued by the U.S. government or its agencies with maturities of over one year. Volatility of the indexes is materially different from that of the portfolio. 6 Month CD - The Citigroup U.S. Domestic 6 Mo CD TR is an index created from a rotating sample of five banks and dealers surveyed daily on secondary market dealer offer rates for jumbo certificates of deposit. Bank CDs are FDIC insured.

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*Inception = beginning of BTS High Yield Program: January 2nd, 1981

**Source: Morningstar December 2009

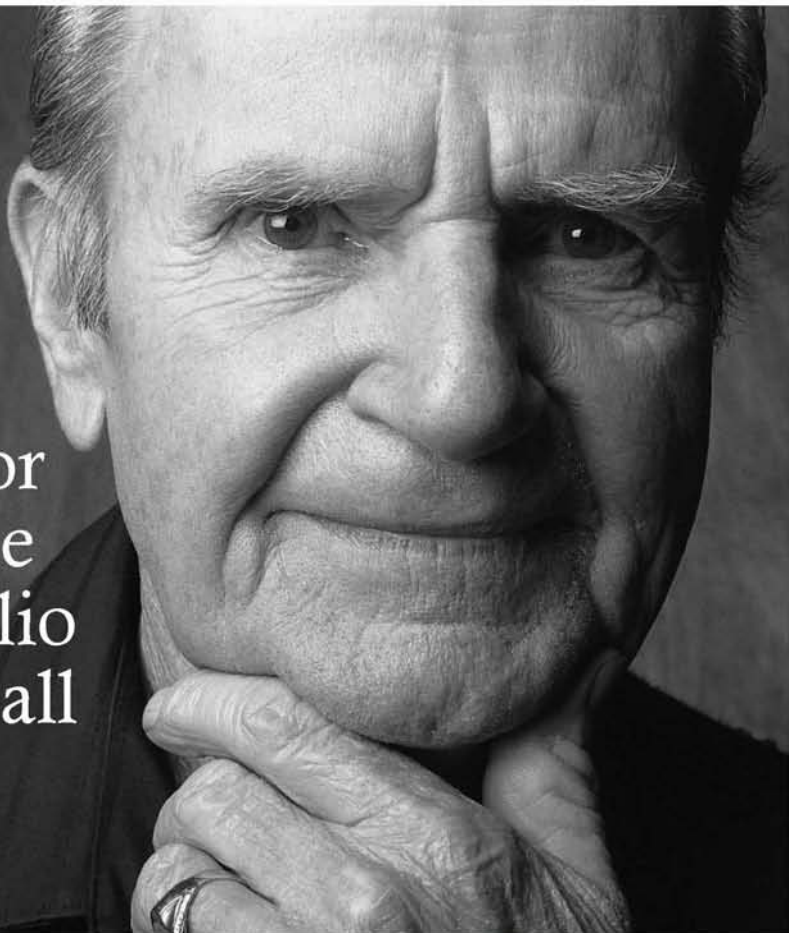
*** Standard Deviation = measures the degree of variation of returns around the average return, the higher the volatility the higher the standard deviation

Exhibit D

Are you tired of trying to ride out market corrections?



Are you looking for a way to reduce the risk in your portfolio without giving up all of the growth potential?



If the answer to these questions is yes, then you may be interested in learning about a bond strategy that seeks to preserve capital during market declines while still producing strong returns over time. This strategy has avoided negative annual returns for 27 years*.



**Please see important information on the reverse side. →*

BTS ASSET MANAGEMENT



*Results are based on the performance of the BTS Asset Management High Yield Program (inception date of 1/2/1981) using a composite of five high yield bond funds using BTS buy/sell signals. The composite is a BTS derived composite of high yield bond funds that have existed since at least the inception of the BTS High Yield Program and have been used with the High Yield Program. Depending on the high yield mutual funds or variable annuity sub-accounts used, not all clients experienced no down years in 27 years. Results will vary with the fund used. Results include the reinvestment of dividends and capital gains and after the deduction of BTS' maximum annual advisory fee. All recommendations for the past year furnished upon request. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within the 2-3 day time period is likely to affect the results. Results reflect generally rising securities markets and will fluctuate with the market and other economic conditions. Loss of capital is possible. Client may ultimately invest in a similar, but different, BTS program that does not have a 27 year track record. Please review the performance of the specific program you may invest in prior to investing in the BTS program.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS

Exhibit E



**TIRED OF BEING TOLD TO RIDE
OUT MARKET CORRECTIONS?
STUCK IN A PORTFOLIO THAT
OFFERS TOO MUCH RISK?**

**WOULD YOU BE INTERESTED IN
HEARING ABOUT A BOND STRATEGY
THAT HAS BEEN MANAGED IN SUCH A
WAY AS TO AVOID A LOSING YEAR FOR
OVER 27 CONSECUTIVE YEARS*?**

**FIND OUT MORE IN
WORKSHOPS COMING
THIS FALL
OR
CALL TODAY
TO SETUP A PERSONAL
WEBINAR**

Securities and advisory services offered through Glove Capital Securities, member FINRA & SIPC.

*Results are based on the performance of the BTS Asset Management High Yield Program (inception date of 1/2/1981) using a composite of five high yield bond funds using BTS buy/sell signals. The composite is a BTS derived composite of high yield bond funds that have existed since at least the inception of the BTS High Yield Program and have been used with the High Yield Program. Depending on the high yield mutual funds or variable annuity sub-accounts used, not all clients experienced no down years in 27 years. Results will vary with the fund used. Results include the reinvestment of dividends and capital gains and after the deduction of BTS' maximum annual advisory fee. All recommendations for the past year furnished upon request. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within the 2-3 day time period is likely to affect the results. Results reflect generally rising securities markets and will fluctuate with the market and other economic conditions. Loss of capital is possible. Client may ultimately invest in a similar, but different, BTS program that does not have a 27 year track record. Please review the performance of the specific program you may invest in prior to investing in the BTS program.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS

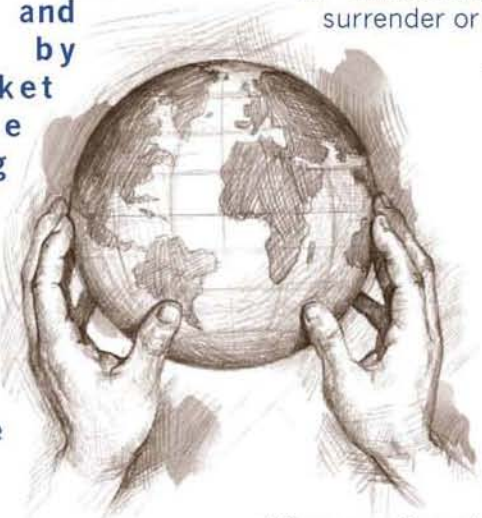


MANAGING YOUR INVESTMENTS



Tired of being told to ride out market corrections? Avoiding loss of principal is a primary key to long-term investment success.

The risk of loss of principal is greatest in times of significant market volatility and uncertainty. Our goal is to help you achieve growth, income and capital preservation by participating in market advances and more importantly, by avoiding major losses during market declines. Would you be interested in hearing about a bond strategy that has been managed in such a way as to avoid a losing year for over 27 consecutive years*?



This tactical asset allocation program:

- Has produced strong investment returns over time with standard deviation characteristics less than government bonds and slightly higher than treasuries.
- Has preserved capital during market declines.
- Provides liquidity and full access to investment funds. No surrender or withdrawal charges.



BTS ASSET MANAGEMENT



*Please see important information on the reverse side ⇨

"Results are based on the performance of the BTS Asset Management High Yield Program (inception date of 12/1981) using certain high yield bond funds. Depending on the high yield mutual funds or variable annuity sub-accounts used, not all clients experienced no down years in 27 years. Results will vary with the fund used. Results include the reinvestment of dividends and capital gains and after the deduction of BTS' maximum annual advisory fee. All recommendations for the past year furnished upon request. Delays of 2-3 days may occur in implementing an exchange signal and may affect performance. Any exchange missed or not made within the 2-3 day time period is likely to affect the results. Results reflect generally rising securities markets and will fluctuate with the market and other economic conditions. Loss of capital is possible. Client may ultimately invest in a similar, but different, BTS program that does not have a 27 year track record. Please review the performance of the specific program you may invest in prior to investing in the BTS program.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS