



# The Rep Letter

Dated August 2014

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## WHO DO THESE GUYS THINK THEY ARE KIDDING?

### PART 1

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We here at Polar Investment Counsel have been critical of the conduct and business model of much of the brokerage industry since the founding of our firm, and even prior to that. It seems to us that since the late 1970s some firms have put forth “business models” (using policies and procedures) which have cost the investing public very substantial sums of monies. We further opine that since the mid to late 1980s investors have been affected by these “business models.”

Example of his sort of business model and conduct are far too numerous to site here so we will set forth a few examples.

Our headquarters is located in a town of about eighty-five hundred people. A large well know brokerage firm has three single broker offices in this town, this means three rental / lease payments, probably triple the utility bills of one office, and three full time sales assistants! Who pays for this? The investing public! This firm charges well over \$200 for a \$10,000 stock purchase. A more reasonable commission would be \$100 or less!

Recently, Investment News, a securities industry trade publication, published an article entitled “*wirehouse recruiting loans measure in the billions.*” These “forgivable loans” are used to recruit larger producing brokers from competitor firms. Typically, upon joining a new firm a broker may be “loaned” up to one hundred fifty percent of the last twelve months production at their prior firm. Terms of such loans vary, but typically a percentage of the loan is forgiven annually over a period of five or more years and assuming production (revenue generation) targets are met. According th the investment news publication, one well-known firm had \$5.2 billion of such loans outstanding! In the case of that firm, the sum amounts to \$321,402 per broker (16, 300 brokers). A second but smaller well known firm had about \$ 3billion in such loans outstanding amounting to \$419,300 per broker. Staggering, huh! Who pays for these managerial judgmental lapses? The investing public.

Do you have any idea what your investment accounts are costing you? We do, call us.

Michael C. Jordan  
President

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Polar Investment Counsel Inc is a federally registered investment advisory firm and broker dealer, which manages customer accounts on a fee or commission basis.

The firm's senior principal, Michael Jordan has nearly thirty-five years of industry experience.

**Polar Investment Counsel, Inc.**

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