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*Wholly Owned by the  
American Institute for Economic Research*

## American Investment Services, Inc. (AIS)

This brochure provides an overview of our organization. It fulfills disclosure requirements as specified by the Securities and Exchange Commission (SEC). For a copy of our full registration statement, please write or call us (see phone and address above) and request "Form ADV Part II."

AIS is an SEC Registered Investment Adviser. Founded in 1978 to provide low cost independent investment management and advice to individuals, estates, trusts, pension, profit sharing and 401(k) plans and charitable organizations, AIS has been working to meet client needs for three decades during alternating periods of economic boom, recession, and inflation. AIS provides investment services on a fee only basis and does not receive any commission or other financial compensation, from brokers, investment companies or any party other than our advisory clients.\*

AIS also publishes a monthly newsletter, *Investment Guide*.

AIS is wholly owned by the American Institute for Economic Research (AIER) and is governed by a board of directors appointed by AIER. AIS investment research and recommendations are consistent with the methods of inquiry employed by AIER.

\*Certain products and services, described herein, are provided by brokers for the benefit of AIS and its clients.

## *AIS Portfolio Management Principles*

AIS follows a structured passive asset class investment approach that is based on Modern Portfolio Theory (MPT) and our observation that capital markets operate efficiently. Our approach can be summarized as follows:

1. We employ a passive investment approach as opposed to active management.
2. We construct client portfolios based on their unique situation, goals, and tolerance for risk.
3. We search for the lowest cost method to implement our investment approach and select investment vehicles from the universe of products available to the investing public.

## *What We Do*

American Investment Services, Inc. serves as investment adviser to individuals, pension, profit-sharing and 401(k) plans, endowments for charitable organizations, trusts, and estates, and publishes a monthly newsletter, *Investment Guide*. AIS derives approximately 80% of its revenues from fees paid by clients of its investment advisory services and 20% from sales of publications.

Our client portfolios are generally constructed from index-type securities that capture the returns of specific asset classes. These may include a wide range of investments, depending on the needs of each client. These include domestic and foreign equities, U.S. Government, municipal and corporate debt securities, precious metals, commercial paper, certificates of deposit, mutual fund shares, and exchange traded fund shares. For clients with existing variable annuities, we may recommend securities for their sub-accounts. AIS advisors have strong academic backgrounds, extensive experience or knowledge of economics and/or the securities industry, and all required professional certifications. We base our investment strategy on the analysis of long-term trends, including equity investment strategies based on variations of a Dow dividend strategy, which bases investment decisions on the relative yields of stocks in the Dow Jones Industrial Average. Accordingly, we recommend investments to satisfy long-term objectives rather than short-term stratagems such as market timing, short sales, margin transactions, futures contracts, or option writing. Our research is generated internally and is consistent with the methods of inquiry employed by AIER. We also rely on research conducted by Dimensional Fund Advisors, Inc. and other academic and financial research sources.

## *What We Do Not Do*

AIS does not hold or retain custody of any assets belonging to clients. AIS may suggest a broker or brokers to clients based on factors such as the perceived ability of a broker to meet a client's needs regarding service, costs, or knowledge of specific investments. AIS is not affiliated with any brokerage firm or dealer and does not receive compensation for any such referrals, nor do we compensate anyone directly or indirectly for referrals of clients to us. No employee, director or member of our organization or of our parent organization receives commissions or compensation of any kind from purchases and sales made as a result of our recommendations.

In addition to the advisory fees described below, clients pay transaction costs charged directly by their broker. For portions of their portfolios invested in mutual funds, clients will, in effect, pay two advisory fees, one to AIS and one to the fund's advisors.

Clients receive trade confirmations and monthly statements from their broker as well as detailed quarterly reports from their AIS portfolio manager pertaining to their investments.

**INVESTMENT SUPERVISORY SERVICES**

**Professional Asset Management Service (PAM)**

PAM is a discretionary program intended for clients seeking comprehensive portfolio management. The AIS portfolio manager can utilize a variety of investment vehicles including equities, fixed-income securities and mutual funds. Tax implications are carefully considered. The minimum account size is \$100,000. Fees are billed quarterly in arrears as a percentage of assets under management (AUM), subject to an annual minimum \$1,500, generally per the following fee schedule:

**PAM Fee Tiers**  
(Minimum annual fee \$1,500)

<b>Tier</b>	<b>Applies to AUM</b>	<b>Annual Fee</b>
1	\$100,000 - \$250,000	0.80% of AUM or \$1,500 whichever is greater
2	\$250,001 - \$500,000	Tier 1 maximum fee plus 0.55% of AUM in Tier 2
3	\$500,001 - \$1,000,000	Tier 2 maximum fee plus 0.25% of AUM in Tier 3
4	\$1,000,001 - \$1,800,000	Tier 3 maximum fee plus 0.10% of AUM in Tier 4
5	\$1,800,001 - \$10,000,000	Flat 0.30% of total AUM
6	\$10,000,001 - \$20,000,000	Tier 5 maximum fee plus 0.25% of AUM in Tier 6
7	\$20,000,001 - \$150,000,000	Flat 0.275% of total AUM
8	over \$150,000,000	Tier 7 maximum fee plus 0.15% of AUM in Tier 8

**High-Yield Dow Service (HYD)**

HYD is a discretionary equity investment program that systematically invests in the highest yielding stocks in the Dow Jones Industrial Average. The HYD service is usually appropriate for only a portion of an investor's assets and may not be suitable for all investors because it is always fully invested in such equities. The minimum account size is \$100,000. Fees are billed quarterly in arrears as a percentage of assets under management (AUM), subject to an annual minimum of \$1,350, generally per the following fee schedule:

**HYD Fee Tiers**  
(Minimum annual fee \$1,350)

<b>Tier</b>	<b>Applies to AUM</b>	<b>Annual Fee</b>
1	\$100,000 - \$250,000	0.70% of AUM or \$1,350 whichever is greater
2	\$250,001 - \$500,000	Tier 1 maximum fee plus 0.40% of AUM in Tier 2
3	\$500,001 - \$1,000,000	Tier 2 maximum fee plus 0.25% of AUM in Tier 3
4	\$1,000,001 - \$1,500,000	Tier 3 maximum fee plus 0.10% of AUM in Tier 4
5	\$1,500,001 - \$10,000,000	Flat 0.30% of total AUM
6	\$10,000,001 - \$20,000,000	Tier 5 maximum fee plus 0.25% of AUM in Tier 5
7	\$20,000,001 - \$150,000,000	Flat 0.275% of total AUM
8	over \$150,000,000	Tier 7 maximum fee plus 0.15% of AUM in Tier 8

## OTHER SERVICES

### Retirement Plan Consulting Services

AIS serves as consultant to sponsors of qualified retirement plans. AIS provides recommendations on investment options and service providers such as custodians, third party administrators and record keepers. Services may also include drafting plan investment policy statements, providing participant education, and quarterly reports to plan sponsors. Fees are based on a percentage of plan assets.

AIS may also provide plan design recommendations and other plan related studies on a fee for service basis.

### Investment Guide (IG)

The monthly newsletter, *Investment Guide*, keeps readers abreast of the latest developments in modern portfolio theory. Additional investment-related topics include taxation, financial planning and innovations in the capital markets. Four times a year, a "Quarterly Review of Investment Policy" is presented with recommended investment allocations for individuals with varying tolerance for risk. The annual subscription rate is \$59.00 for the print edition and \$49.00 for the electronic edition, payable in advance.

### Portfolio Listing Service

This service provides a consolidated listing of all of a client's holdings on a monthly basis. The client provides statements or other information from brokers, banks, fund companies and other sources of their separate accounts and AIS creates one statement with all holdings listed. No advisory services are provided. The fee is \$1,000 annually.

### Financial Record Keeping Services for Financial Professionals (FRS)

Administrative services for registered investment advisors. Services include periodic portfolio rebalancing as well as production and delivery of periodic portfolio statements. Fees are negotiable. This service is currently closed to new clients.

## Brokerage Discretion and Conditions for Managing Accounts

For discretionary clients, AIS requests written authority in the form of a limited power of attorney to determine which securities and the amounts of such securities to buy and sell without consultation with the client on a transaction-by-transaction basis. However, the authority of AIS may be subject to conditions imposed by the client in writing, and amended in writing from time to time, which may include restrictions or prohibitions on transactions in securities of specific companies or industries.

Although AIS does not have the authority to determine, without obtaining specific client consent, the broker to be used for the execution of client transactions, AIS may recommend that clients establish brokerage accounts with specific broker-dealers. The factors considered by AIS in determining whether a broker should be suggested to clients include: Client services, statements and communications, access to information, trust services, and product availability; commission structure at competitive rates, SIPC and "excess SIPC"

insurance, national reputation, custodial and transfer services at competitive rates, access to institutional trading platform that allows automated trading and downloads of client positions and activity files into AIS portfolio management software as well as block trades and reallocations, access to fixed income trading desk; access to trade-away services that allow AIS to execute trades through fixed income (municipal bond) specialist firms, ability to purchase Dimensional Fund Advisor (DFA) fund products and other no-load mutual funds, and other services that allow AIS to provide efficient investment advisory services to clients including, but not limited to best execution.

Based on the foregoing factors, AIS currently recommends Charles Schwab & Co., Inc., TD Ameritrade, and Fidelity Investments.

AIS is independently owned and operated and not affiliated with the aforementioned broker-dealers. The brokers provide AIS with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as they maintain a specified level of client assets with the custodian, and are not otherwise contingent upon an advisor committing to any specific amount of business (assets or trading). These brokers provide services including brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

If a client chooses to direct its brokerage to a broker other than one named above, the client may forego certain benefits.

### *Additional Compensation*

Charles Schwab & Co., Inc., TD Ameritrade, and Fidelity make available to AIS other products and services that benefit AIS but may not benefit its clients' accounts directly. Some of these other products and services assist AIS in managing and administering clients' accounts. This includes software and other technology that provides access to client account data (such as trade confirmations and account statements) and facilitates trade execution (and allocation of aggregated trade orders for multiple client accounts). These custodians also provide research, pricing information and other market data; facilitate payment of AIS's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. These services generally may be used to service all or a substantial number of AIS's accounts, including accounts not maintained at the AIS recommended broker-dealers. The recommended broker-dealers also make available to AIS other services intended to help AIS manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing.

In addition, recommended broker-dealers may offer to make available, arrange and/or pay for these types of services rendered to AIS by independent third parties. Recommended broker-dealers may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to AIS. While as a fiduciary, AIS endeavors to act in its clients' best interests, and AIS's recommendation that clients maintain their assets in accounts at these broker-dealers may be based in part on the benefit to AIS of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the recommended broker-dealers, which may create a potential conflict of interest.

AIS staff monitor financial markets and portfolios are reviewed and adjusted as market conditions or client circumstances warrant. The AIS staff meets regularly as a committee to set investment policies and recommendations.

**JOHN L. BARRY**, ChFC, President & CEO of AIS and Chairman of the Investment Committee since April 1999. Before joining AIS in 1994, he was an analyst at Prudential Insurance. Prior to that, he served for eight years as a Captain in the U.S. Air Force, where his last assignment was economics instructor at the Air Force Academy. He earned an MA in Economics from the University of California in 1991 and an MBA from the University of Montana in 1988. He received a BBA in Finance from the University of Notre Dame in 1984.

**SETH L. HOFFMAN**, Vice President and Chief Compliance Officer, joined AIS in 2003. He holds a BA in International Studies from Vassar College and an MBA in International Management from Thunderbird School of Global Management. He was a political risk underwriter and country risk analyst at the American International Group (AIG) prior to joining AIS. He is a board member of the Lenox Children's Center.

**CHARLES D. MURPHY**, Vice President and Chief Financial Officer joined AIS in 2007. He holds a BBA in Accounting from Loyola University at Baltimore, MD. Prior to joining AIS he was a Financial Advisor with Merrill Lynch. He was a Vice President with Dion Money Management with more than \$200M in assets under management in fifty states and seven countries. He spent 12 years in the public & private accounting sector preparing corporate, partnerships, & individual tax returns and audits based on GAAP & auditing standards.

**BO BO NGE**, Research Analyst joined AIS in February 2007. Prior to joining AIS, Bo Bo worked for AIER as a Statistician/Research Analyst. He has a Bachelor's degree in Economics from Bard College and a Master's degree in International Economics from the School of Advanced International Studies (SAIS) at Johns Hopkins University. He was an AIER summer fellow in 2003.

**DAVID F. ST. PETER**, CFA, Portfolio Operations Manager, joined AIS in 2008. He received a BA from Harvard University and an MBA in Finance from Columbia Business School. Prior to joining AIS, he managed an equity portfolio using a proprietary stock screening and trading model. He previously worked as a security analyst at Loomis, Sayles & Co. in Boston and was a financial analyst with Goldman, Sachs & Co. in New York City.

**MATTHEW J. SVIRIDA**, Operations Manager and Investment Advisor, joined AIS in 2005. Matthew came to AIS after working at JP Morgan Chase in New York City as an Administrator of an affluent investment sales group. Prior to JPMorgan Chase, he worked on the trading desks of two independent brokerage firms. Over the course of his 10 years in the financial services industry, he acquired 5 security licenses (series 7, 63, 55, 65 and 24). He holds a BBA from Hofstra University and has completed graduate coursework at Mercy College New York. Matthew is currently a Certified Financial Planner (CFP) candidate.

**MACKENZIE W. WAGGAMAN**, Vice President, joined AIS in 2004. He received a BA from Rochester Institute of Technology in 1975 and an MBA, with a concentration in finance, from Rensselaer Polytechnic Institute in 2003. Before joining AIS he worked as a financial consultant and broker for A.G. Edwards & Sons. He previously worked in the motion picture and television industry where he held numerous executive positions including Vice President and General Manager of Medialab Studio, L.A.

**RICHARD W. BREWER**, is President and CEO of ProMutual Group, the largest provider of medical malpractice insurance in New England with operations in eight states. Mr. Brewer has more than 30 years of experience in the insurance industry. He was previously CEO of Arbella Mutual Insurance Company and held executive management positions with the Hartford Insurance Group and National Grange Insurance Company. He is also a voting member and trustee of AIER.

**LATIMER B. EDDY**, CFP, is the principal of an investment management and consulting practice in Westfield, MA. Mr. Eddy's 40-year career in business has included senior management positions in accounting and finance for major corporations including Stanhome Inc., where he served as Vice President & Treasurer. He is a voting member of AIER and also serves on the board of the Frank Stanley Beveridge Foundation and on the Investment Committee of the Community Foundation of Western Mass.

**DAVID G. TAGGART**, President of D. Taggart Associates, Inc., Mr. Taggart is an engineer, entrepreneur, and venture capitalist specializing in the electronics industry. He is also a real estate investor and a voting member of AIER. Mr. Taggart divides his time between Boston and Florida's Gulf Coast.

**FREDERICK C. HARWOOD**, Mr. Harwood retired in 2006 following a 41 year career in management and administration at AIER. He has authored and contributed to numerous publications, and represented AIER in speaking engagements on topics such as demographics, energy, the environment, and economics. He continues to participate in the monthly review of business cycle indicators and serves as an AIER trustee and Chair of the audit committee. He is also a trustee of Fairview Hospital.

**GREGORY VAN KIPNIS**, Chair, retired as a General Partner of Tiedemann Investment Group. Mr. van Kipnis has created and managed a number of hedge funds, a broker dealer, and a Registered Investment Adviser, including most recently Tiedemann-Invictus Partners. During a long Wall Street career, he has overseen proprietary trading, equity arbitrage and risk management strategies for leading financial institutions including Jefferies & Co, Natwest Financial Products, Morgan Stanley and Donaldson, Lufkin & Jenrette, where he served as Chief Economist. He has authored several books on the futures markets and is a past director of the New York Futures Exchange.

\*AIS is wholly owned by the American Institute for Economic Research (AIER). The Trustees of AIER have the responsibility and power to appoint the AIS Board of Directors.

- AIER is also AIS's largest advisory client
- AIS may manage investment accounts for AIS board members and AIER Trustees
- The AIS Board of Directors approves compensation for AIS employees
- The AIS Board of Directors declares any dividends paid to AIER, as shareholder of AIS

If any of the relationships described above give rise to a conflict of interest, AIS intends to put the interests of its other clients first and to make prompt disclosure of the conflict to all affected parties.

## **Personal Holdings**

AIS officers, employees, and persons affiliated with the company may from time to time have positions in securities recommended to clients. Employee purchases and sales are undertaken only after clients have had an opportunity to act on recommendations. All employee transactions are reviewed quarterly.

## **Code of Ethics**

The American Investment Services, Inc. Code of Ethics (as amended May 5, 2006) sets the tone for the conduct and professionalism of the firm. The code's principles and policies are designed to emphasize the fiduciary duty to clients required of all AIS employees. In addition, these same principles and policies detail the requisite processes for compliance with applicable federal security laws such as insider trading, and anti money laundering. The goals of the AIS Code of Ethics are to protect the firm's clients and the firm's reputation by educating employees about their fiduciary duty and the laws governing their conduct. The firm's employees take their positions of trust seriously and must conduct themselves professionally and with complete propriety at all times. A copy of the American Investment Services, Inc. Code of Ethics is available upon request.

## **Privacy Policy**

Safe guarding client privacy is an important responsibility that we take very seriously. AIS restricts access to only those employees of AIS and of our parent, the American Institute for Economic Research (AIER), who provide products or services or those who need access in order to service accounts. We maintain physical, electronic and procedural safeguards that meet federal and/or state requirements to guard non-public personal information.

AIS may collect non-public personal information (e.g., information reported on applications) in order to ensure proper servicing of accounts. This information may be shared with custodians with expressed client authorization, or with regulators as required by law. Otherwise, all information remains strictly confidential.

## **Proxy Voting**

AIS may accept discretion to exercise by proxy the voting rights of securities owned by its client ("Client Securities"). A summary of the Proxy Voting Policies and Procedures of AIS with respect to voting proxies on behalf of its clients are as follows:

It is the policy of AIS: (1) to vote all proxies received with respect to Client Securities, except that AIS shall refrain from voting a proxy or voting on one or more matters covered by a proxy which presents a material conflict of interest with clients owning the Client Securities to which the proxy relates unless instructed how to vote by the client and AIS may refrain from voting on a matter or matters covered by a proxy if AIS deems non-voting to be in the best interest of clients; (2) to vote proxies in accordance with general or specific instructions or guidelines provided by clients; and (3) in the absence of client instructions or guidelines, to vote proxies so as to maximize the economic value of Client Securities and otherwise serve the best interests of clients, pursuant, in general, to guidelines established by the AIS Investment Committee.