



250 Division Street
 Great Barrington, MA 01230
 413-528-1216
 413-528-0008 Fax
 www.americaninvestment.com

Wholly Owned by the
 American Institute for Economic Research

HIGH-YIELD DOW INVESTMENT SERVICE
Overview, Costs and Fees

Our High Yield Dow (HYD) Investment Service implements our HYD “4-for-18” strategy on your behalf.

- The strategy is based on research conducted by our parent organization, the American Institute for Economic Research, which examined the historical returns of the DJIA stocks. They concluded that a strategy concentrated on the 4 highest yielding DJIA stocks and utilizing an 18 month holding period provided the best combination of risk and return of one thousand plus portfolio options they examined. Between December 15, 1963 and December 15, 2002, this “4-for-18” strategy would have provided an average annual total return of 15.6%. This compares favorably with investing in all 30 DJIA stocks which would have returned 10.3% for the same period. Two important points to note about these returns:
 1. They do not include management fees
 2. They do not reflect actual investment results. They are based on a hypothetical “back-tested” portfolio. Numerous studies conducted by others, however, have corroborated our conclusion that investing in the highest-yielding Dow stocks in a systematic fashion would have significantly outperformed the market over the long-term.

Contact us if you would like more information about the research, analysis and development of the HYD strategy.

- With limited power of attorney and a brokerage account at Charles Schwab, TD Ameritrade or Fidelity Investments, AIS’s experienced portfolio managers will implement this strategy on your behalf. You will receive all transaction confirmations and monthly reports directly from your broker, in addition to detailed quarterly reports from AIS. The brokerage account is your personal account and you sacrifice none of the rights that go with that account. Only you will have authority to remove assets.
- Our Institutional arrangements with Charles Schwab, TD Ameritrade and Fidelity, provide the following trade commission schedules:

Custodian	Web Equity Trades	
	Under Threshold ¹	Over Threshold
Charles Schwab ² (\$1M threshold)	<1,000 shares = \$19.95 + \$.015 per share after the first 1,000	\$8.95
TD Ameritrade ² (\$500k threshold)	<1,000 shares = \$16.99 + \$.01 per share after the first 1,000	\$9.99
Fidelity ^{2,3} (\$1M threshold)	<1,000 shares = \$12.95 + \$.015 per share after the first 1,000	\$7.95

¹ Each custodian has a lower commission rates if you exceed their total household asset “threshold.”

² Each custodian applies the over threshold rate to accounts under the threshold if they elect to receive electronic account statements and trade confirmations in lieu of postal copies.

³ Accounts transitioning from Fidelity’s retail services may qualify for a lower rate.

- You own the stocks held and may place restrictions on which stocks may be traded, so long as it does not nullify our ability to deliver on the program's basic objectives. If you have access to the Internet, you also will have convenient, 24-hour access to your account positions, balances, and transaction history, as well as real-time stock quotes.
- The model's 18-month holding period ensures that all capital gains in taxable accounts will be eligible for beneficial long-term treatment.
- The minimum account size is \$100,000, although we recommend no less than \$150,000 to give you a better cost break. Two accounts can be combined for purposes of calculating the minimum and the fee. Please see our fee schedule shown below.

High-Yield-Dow Service Fee Schedule

Our management fee is among the lowest in the industry. Like many advisors, we have a tiered, cumulative fee structure based on assets under management (AUM) where AUM is the combined value of all accounts you have with us. Our only source of management revenue is the fee we charge to you directly; we do not earn any commissions or other compensation on trades nor are we reimbursed by any third party.

AIS High Yield Dow Fee Tiers		
Minimum Annual Fee is \$1,350		
Tier	Applies to AUM	Annual Fee
1	\$100,000 - \$250,000	0.70% of account 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 6
7	\$20,000,001 - \$150,000,000	Flat 0.275% of AUM
8	Over \$150,000,000	Tier 7 maximum fee plus 0.15% of AUM in Tier 8

The actual fee is calculated and billed quarterly in arrears. For example, if you have a \$600,000 AUM, at the end of each calendar quarter you will be billed one quarter of the sum of: 0.70% of the first \$250,000 plus 0.4% of the next \$250,000 plus 0.25% of the last \$100,000. This is equivalent to 0.50% annually. The fee for various AUM (to the nearest dollar) is calculated below:

Quarterly Fee Calculation for Various AUM		
AUM	Quarterly Fee	Annual Equivalent
\$100,000	\$338	1.35%
200,000	350	0.70%
300,000	488	0.65%
400,000	588	0.59%
500,000	688	0.55%
600,000	750	0.50%
700,000	813	0.46%
800,000	875	0.44%
900,000	938	0.42%
1,000,000	1,000	0.40%
1,250,000	1,063	0.34%
1,500,000	1,125	0.30%
1,750,000	1,313	0.30%
2,000,000	1,500	0.30%