



# Form ADV Part 2A

Last Updated: June 20, 2016

## LSY, Inc. dba American Investors Co.

SEC File Number: 801- 57838

CRD Number: 38

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This brochure provides information about the qualifications and business practices of American Investors Co. ("AIC"). If you have any questions about the contents of this brochure, please contact us at (925) 925-2882 and/or via [info@americaninvestorsco.com](mailto:info@americaninvestorsco.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about AIC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Although AIC may use the term "registered investment adviser" or use the term "registered" through this Form ADV Part 2A, the use of these terms is not intended to imply a certain level of skill or training.

## **Item 2. Material Changes since Last Update**

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### **Annual Update**

This Brochure, dated 06/20/2016 replaces the 06/18/2015 version which was our last annual amendment update.

Item 5. Fees and Compensation has been updated to reflect amendments to NASD Rule 2340 (Customer Account Statements) which modified the requirements relating to the inclusion of per share estimated values for direct participation programs (DPPs) and other illiquid investments.

### **Full Brochure Available**

Clients who would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (925) 866-2882 or by fax (925) 866-8989, or visit our website at [www.americaninvestorsco.com](http://www.americaninvestorsco.com).

### Item 3. Table of Contents

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Item 2. Material Changes Since Last Update.....	02
Annual Update.....	02
Full Brochure Available.....	02
Item 4. Advisory Business.....	05
Principal Owners.....	05
Types of Advisory Services Offered.....	06
Asset Supervisory/Management Services.....	06
Hourly Consultation Services.....	06
Financial Planning Services.....	06
401(k) Advisory Services.....	06
Seminars.....	07
Termination of Account.....	07
Arbitration Agreement.....	07
Assets Under Management.....	07
Item 5. Fees and Compensation.....	08
Asset Management Fee Structure.....	08
Fees for Other Advisory Services.....	09
Item 6. Performance-Based Fees and Side-By-Side Management.....	10
Item 7. Type of Clients.....	10
Item 8. Methods of Analysis, Investment Strategies & Risk of Loss.....	11
Methods of Analysis.....	11
Alliance of Independent Broker-Dealers (AIBD).....	11
Insurance Strategies.....	12
Use of Significant Investment Strategy.....	12
Item 9. Disciplinary Information.....	13
Disclosure Events.....	13
Item 10. Other Financial Industry Activities and Affiliations.....	13
Broker/Dealer Affiliation.....	13
Other Brokers.....	13
Other Investment Advisers.....	14
Other Investment Advisors (Solicitor Arrangements).....	14
Insurance Products.....	14
Real Estate Brokerage.....	15
Other Independent Businesses.....	15
Disclosure of Material Conflicts.....	15

Item 11. Code of Ethics, Participation in Client Transactions & Personal Trading.....	15
Code of Ethics.....	15
Participation/Interest in Client Transactions.....	15
Item 12. Brokerage Practices.....	16
Research and Other Soft Dollar Benefits.....	16
Investment or Brokerage Discretion.....	16
Directed Brokerage.....	16
Suggesting Brokers.....	16
Aggregation of Client Orders.....	17
Item 13. Review of Accounts.....	17
Review of Accounts.....	17
Nature and Frequency of Reports.....	17
Item 14. Client Referrals and Other Compensation.....	17
Receipt of Economic Benefit (non-client).....	17
Direct/Indirect Compensation for Client Referrals.....	18
Item 15. Custody.....	18
Item 16. Investment Discretion.....	18
Item 17. Voting Client Securities.....	18
Item 18. Financial Information.....	19
Pre-Payment of Fees.....	19
Financial Condition.....	19
Bankruptcy Disclosure.....	19
Privacy Policy.....	19

## Item 4. Advisory Business

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American Investors Company (“AIC”) is a general securities broker-dealer, registered with the Securities and Exchange Commission (“SEC”) and a member of the Financial Industry Regulatory Authority (“FINRA”), as well as a Registered Investment Adviser with the SEC. AIC was established in 1966 as a broker-dealer and became registered as an investment adviser in 1994. AIC provides investment advisory and financial planning services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations (herein referred to as “Client” or “Clients”).

Registered Representatives (“Reps”) of AIC sell securities products for commission-based compensation. Certain Reps are also designated by AIC to act as Advisory Affiliates (“Affiliates”) for investment advisory service arrangements. These Affiliates may also sell general securities for commissions.

AIC, through its Affiliates, may provide investment supervisory services or asset management of investment advisory accounts. These services may also be called by other names such as money management or investment management. Such services may include the continuous monitoring of client investment accounts on either a discretionary or a non-discretionary basis. AIC may also provide asset management services that are limited to periodic reviews and do not involve continuous management and monitoring. The frequency of these reviews is dependent upon changes in the market, changes in the client’s financial situation, or other events.

Affiliates may also refer clients to other Registered Investment Advisers (also referred to as third party money managers).

Other Reps may be independently registered as investment advisors to provide similar services that may be offered by AIC. Clients will be advised by the Rep if the Rep is independently registered, and will receive the Form ADV disclosure from the Rep if so independently registered, in addition to the Form ADV disclosure of AIC. For managed or supervised accounts of reps who are independent registered investment advisors, AIC will act as payee agent.

Affiliates under this registration offer their own blend of services and have their own investment philosophies.

### Principal Owners

For the purpose of this section, AIC lists its principal owners as any person directly owning 25% or more of AIC as disclosed on Schedule A of Part 1A as of date of the last update filing.

AIC’s principal owners are as follows:

- Larry C. Lee is a direct owner of AIC maintaining between 50-75% ownership.
- Clarence Yee is a direct owner of AIC maintaining between 25-50% ownership

Name: Larry Chaiya Lee  
Date of Birth: 09/06/1934  
Education: Taiwan Provincial College of Agriculture, Taiwan; BS/Pathology (1956)  
UCLA, Los Angeles, CA; College Studies  
Background: American Investors Company, San Ramon, CA, Chairman/Owner (07/66- Present)

Name: Clarence Yee  
Date of Birth: 09/24/1934  
Education: UC Berkeley, CA; College Studies;  
Background: American Investors Company, San Ramon, CA, President/Owner (8/72 – present)

Name: Nicholas Cowles Cochran  
Date of Birth: 02/13/47  
Education: College of Marin, Marin, CA; AA/ Liberal Arts (1966)  
San Jose State University, San Jose, CA; BS/Accounting/Finance (1968)  
Background: American Investors Company, San Ramon, CA, Vice President (4/92 – Present)  
Nicholas C. Cochran & Associates, San Jose, CA, Sole Proprietor (1/91 – Present)  
Equity Engineering, Inc., San Jose, CA, President (8/80 – 12/90)  
Alliance of Independent Broker-Dealers (AIBD), San Jose, CA, President & Treasurer  
(10/98 – 11/13)

AIC is not a publicly held company and no part of AIC is owned by an individual or company through any subsidiaries or “intermediate subsidiaries.”

## **Types of Advisory Services Offered**

### **Asset Supervisory/Management Services**

AIC may provide investment supervisory services or asset management of investment advisory accounts as covered in the Investment Advisory Agreement where each Client may receive specific investment related consultative services. AIC may assist Client in determining, among other things, suitability, investment objectives, goals, time horizons, and risk tolerances. These services may also be called by other names such as money management or investment management. Such services may include the continuous monitoring of client investment accounts on either a discretionary or a non-discretionary basis. AIC may also provide asset management services that are limited to periodic reviews and do not involve continuous management and monitoring. The frequency of these reviews is dependent upon changes in the market, changes in the client’s financial situation, or other events.

### **Hourly Consultation Services**

In addition to offering investment management and financial planning services, AIC may also offer general consulting services on an hourly basis. For consultation services as provided by AIC, Client may agree to pay AIC an hourly fee up to \$350 per hour. This hourly consultation service may take the form of general consulting and/or general investment advice for individuals and/or institutions. It may also take the form of investment advice for individuals or institutions that do not require investment management services. Additionally, it may also take the form of corresponding and/or coordinating with attorneys, CPAs and/or other professionals, as well as document production and other administrative services.

### **Financial Planning Services**

AIC may also offer Clients financial planning services to include comprehensive or segmented (limited) financial plans, investment plans, and/or individual consultations regarding a Client's financial affairs. The design and implementation of a financial plan may begin with the process of gathering data regarding income, expenses, taxes, insurance coverage, retirement plans, wills, trusts, investments and/or other relevant information pertaining to a Client's overall financial situation. This information is carefully analyzed taking into account a Client's goals and stated objectives and a series of recommendations and/or alternative strategies will be developed and designed to achieve optimum overall results. Fees for such services will be on a flat fee (per plan) or an hourly rate (see above).

### **401(k) Advisory Services**

AIC may provide advisory services to 401(k) plans and other similar retirement plans which, in some instances, may be limited to the selection and continuous monitoring of the investments

available in the plan and may include participant enrollment, education and ongoing support.

In other instances, the services provided may be broader in scope extending to asset supervisory and management services, and performance reporting as described in the "Asset Supervisory/Management Services" section above. Services do not include record keeping, but may include interfacing with the plan's record keeping service provider.

The scope of services provided to these various retirement plans and the fees related thereto will be set forth in the Investment Advisory Agreement.

### **Seminars**

On occasion AIC, through its Affiliates, may hold seminars. These seminars may include presentations on various securities and insurance products, or on financial planning strategies. A fee may be charged to attend. The fee will not exceed \$200 per attendee.

### **Termination of Account**

Either party has the right to terminate the Agreement at any time. If a client terminates the Agreement within five business days of signing the Agreement, the client is entitled to a waiver of any pro-rated fees that would otherwise be due to AIC. After five days, AIC may bill for pro-rata fees due or, if applicable, actual time and charges. For investment/financial planning, no refund will be available once a completed financial plan is delivered to a client. There is no penalty or termination fee for canceling the Agreement. AIC's authority under the Agreement will remain in effect until Client changes or cancels. Cancellation of the Agreement will not affect (a) the validity of any action previously taken by AIC under the Agreement, (b) liabilities or obligations of the client or AIC from transactions initiated before termination of the Agreement, or (c) the client's obligation to pay advisory fees (prorated through the date of cancellation). Upon cancellation of the Agreement, AIC will have no obligation to recommend or take any action with regard to the securities, cash or other investments in a client's account.

Fees due at termination may be waived at the discretion of AIC and/or the Affiliate.

### **Arbitration Agreement**

Any controversy or claim, including, but not limited to, errors and omissions arising out of or relating to our Agreement or the breach thereof, shall be settled by arbitration in accordance with the securities arbitration rules then in affect with the Financial Industry Regulatory Authority, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Client understands that this agreement to arbitrate does not constitute a waiver of the right to seek a judicial forum where such a waiver would be void under the federal securities laws.

Arbitration is final and binding on the parties.

AIC may tailor its advisory services to the specific needs and objectives of each advisory client. Clients may also impose restrictions on investing in certain securities or types of securities.

AIC does not participate in a wrap fee program at this time.

### **Assets Under Management**

As of March 31, 2016, the amount of client assets under management is calculated as follows:

Discretionary:	\$321,200,000
Non-discretionary:	\$19,300,000

The amount as disclosed above is rounded to the nearest \$100,000. The date of the calculation above is not more than ninety (90) days before the date AIC last updated its brochure.

## **Item 5. Fees and Compensation**

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Fees for services will be by agreement between AIC, through its Affiliates, and the client. Fees are negotiable and vary in part depending upon which Affiliate is engaged to provide services. Fees may be based on hourly rates, a percentage of assets under management (asset-based or asset management fees), or fixed fees.

### **Asset Management Fee Structure**

Fees are computed as a percentage of assets under management on either a tiered schedule or using a fixed annual percentage rate. Fees are billed in arrears and are based on asset values as of the last business day of the billing period, i.e., calendar quarter-end, month-end, or other period as agreed upon by the client. Fees will be assessed pro-rata for:

- New Accounts - The first period billing will be pro-rated for the partial period.
- Cash Flow – Where applicable, additions and withdrawals of \$1,000 and above will be pro-rated for the partial period. (Additions or withdrawals of less than \$1000 will be ignored.)

AIC's maximum fee schedule expressed as an annual percentage is as follows:

#### **Tiered Fee Schedule**

<u>Portfolio Size</u>	<u>Annual %</u>
First \$500,000	2.00%
\$500,001 to \$1,000,000	1.50%
\$1,000,001 and above	1.00%

#### **Fixed Percentage Fee**

1.5% Annual Fee

In lieu of the tiered schedule or the fixed percentage fee, a fixed annual fee payable at agreed-upon intervals throughout the year may be charged for asset management services and/or a combination of asset management and other advisory services. The amount of the annual fixed fee will be negotiated and will be based on factors such as the scope of services provided, account values, etc. Fixed fees will be billed in arrears and may be assessed on a quarterly, monthly or other period as agreed upon by the client.

Asset management fees will begin to accrue when the account is funded. Asset management fees are for investment advisory services only and do not include any brokerage and transaction fees or any other professional services which may be required by the client to implement the recommendations made by AIC. Upon termination by either party, the effective date of termination shall be used as the concluding date for valuation of the Account. The final charge for asset management services covers the period from the beginning of the then current billing period to the termination date, and Client agrees to pay any fee, prorated to the termination date.

In computing the market value of securities held in client accounts for asset management fees, the securities prices will be based on valuations which may be provided by the custodian of the account and/or by Morningstar, Inc. These valuations will be relied upon by AIC. Valuations are generally based on the closing price on the exchange or other market where the security is traded or the last published redemption price provided by a mutual fund or insurance company.

Valuations are not a guarantee of the market value of the assets in the account. Clients will receive quarterly (or monthly if available) statements from the custodian valuing the investment



positions of the account. For fee calculation purposes, AIC may use the portfolio value from our internal portfolio management system, which has been reconciled with custodial information. Values on statements that clients receive from account custodians may differ from the values on AIC billing statements and/or other reports due to the timing of dividend postings and/or price rounding differences. In some instances, securities prices obtained from Morningstar and used by the Firm may differ from those reflected by the custodian due to the methodology used to obtain the value. Thinly traded securities that do not trade daily and/or securities that are not traded on a major exchange (e.g., pink sheet traded) are the most common instances where price discrepancies may occur. Accrued interest postings and unsettled transactions may also affect statement balances.

Valuations for direct participation programs and other illiquid investments that have no active market from which a market value can be readily derived will be based on the estimated value appearing on the account statement provided by the custodian, provided that AIC is satisfied that the custodian has reported an estimated value that has been developed in a manner reasonably designed to ensure that the estimated value is reliable in accordance with NASD Rule 2340 (Customer Account Statements).

That rule requires that the reported value be based on either (1) the net investment methodology or (2) the appraised value methodology. The appraised value methodology may be used at any time. The net investment methodology may not be used beyond 150 days following the second anniversary of breaking escrow in the offering. Whichever valuation methodology is used will be disclosed on your custodian's account statement and will contain the date of said valuation. AIC will confirm with the custodian that it is subject to NASD Rule 2340.

In some instances, units or shares in direct participation programs trade on relatively inactive secondary markets. The prices for such units will generally be lower on these secondary markets than the estimated values reported by the custodian. In other instances, there may be no secondary market whatsoever. Because reported valuations of these illiquid investments will be based on either of the two methods described above, and because these valuations will often be higher than what the interests could actually be sold for, the fees paid to AIC will often be higher than they otherwise would be if the assets were able to be valued at current fair market value like other assets in the account. This potentially could create a conflict of interest in situations in which AIC might consider that it could obtain more fees by recommending illiquid investment than it could by recommending liquid investments.

**Fees for Other Advisory Services (Investment Plans/Planning Services/401(k) Plan Investment Selection & Monitoring):**

Hourly consultation fees and/or fixed fees may be charged for the construction of investment plans, as well as other planning services. Hourly consultation fees are negotiable but will not exceed \$350 per hour. Fixed fees will be agreed upon in advance by the Affiliate and the client. A retainer, not to exceed 50% of estimated charges, may be required for investment planning advisory services. The balance is due upon delivery of the plan/services. Fees for investment planning services will not be collected for services to be performed more than six months in advance.

Fees for 401(k) plan services limited to investment selection and monitoring are computed as a percentage of plan assets using a fixed annual percentage rate. Fees are billed in arrears and are based on asset values as of the last business day of the billing period, i.e., calendar quarter-end, month-end, or other period as agreed upon by the client. Fees for new plans will be assessed pro-rata for the first period billing to reflect the partial period. Cash flow will not be pro-rated. AIC's maximum fee for providing 401(k) plan services limited to investment selection and monitoring, expressed as an annual percentage, is 1%.

For other advisory services, upon termination by either party, AIC agrees to refund any prepaid fee, prorated to the termination date (where applicable).

All advisory fees may be negotiated by the Affiliate on a case-by-case basis.

In negotiating fees, the scope of the services offered and the comparable fees for the geographic area will be considered. In no case will fees exceed the schedules and/or amounts described above.

At times, AIC and its Affiliates may waive fees for commissions received; however, we may provide both commission and fee services.

Payments of fees may be paid direct by the client or payment of fees may be made by the custodian holding the client's funds and securities. The following criteria will be met when payment is made by the custodian: (1) the client provides written authorization permitting the fees to be paid directly from the client's account held by the independent custodian, (2) AIC sends to the client a bill showing the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which the fee was calculated, (3) AIC discloses to the client that it is the client's responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is properly calculated, (4) AIC sends a bill to the custodian indicating the amount of the fee to be paid by the custodian, and (5) the custodian agrees to send to the client a statement, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to AIC.

In addition to fees paid for advisory services with respect to clients' investments in mutual funds, clients may pay additional fees on certain mutual fund investments because certain mutual funds also pay advisory and/or management fees to an advisor.

AIC may receive 12b-1 trail compensation from mutual funds or variable insurance products paying such servicing fees where such assets are custodialized by clearing firms with whom AIC maintains clearing agreements or where custodialized by trust companies as well as when assets are held directly with the mutual fund or insurance company. For mutual funds paying such servicing fees where such funds are custodialized by clearing firms with whom AIC does not maintain clearing agreements, such 12b-1 trail compensation will be retained by those clearing firms.

Clients may be able to obtain lower fees for similar services from different AIC Affiliates and/or other Registered Investment Advisers.

Fees charged to clients may be lower than the aforementioned maximum fees depending on the nature of any pre-existing relationship, the complexity of the accounts, or terms and conditions of any outstanding or pre-existing verbal or written agreement to which AIC is a party.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

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Under its advisory agreements, AIC and its Affiliates will not charge performance fees on assets that it manages. They may, however, share in performance fees charged by other advisors to whom it refers clients or with whom it acts as a co-advisor. Performance fees may only be charged to "qualified" investors under Rule 205-3 of the Investment Advisers Act, generally persons who have a net worth of at least \$2 million. Performance fees give an advisor an incentive to recommend more aggressive investments than otherwise would be the case in order to maximize gains and thereby its fees, thereby adding another conflict of interest beyond those that accompany other forms of compensation to an advisor.

## **Item 7. Types of Clients**

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AIC provides investment advisory and financial planning services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations.

## **Requirement for Opening Accounts (Minimum Investment Amount)**

AIC's fees for each particular service are subject to negotiation and could vary depending upon circumstances, including the scope of the services to be provided. AIC does not impose a minimum account size or minimum fees as a requirement for opening and/or maintaining an account. However, third-party managers may require account minimums as described in their disclosure documents.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

Some Affiliates may utilize charting, fundamental, technical, and cyclical analysis; however, the primary method of analysis used by Affiliates is to evaluate the client's investments to determine whether they correspond with his or her financial objectives.

Third-party managers may employ a number of techniques and a variety of analyses, both proprietary and non-proprietary, to guide them in their investment selection process. The Form ADV of the third-party manager will provide full details on their selection process.

Affiliates utilize many sources of public information to include financial news and research materials including research provided by Morningstar, Inc. Affiliates may also review information made available by our home office due diligence staff, which reviews mutual funds, direct participation programs, variable annuity products, and third party money managers' performance and background.

### **Review and Research of Investment Offerings / Due Diligence (Third-Party Managers & Direct Participation Programs)**

AIC conducts limited initial and annual evaluations of third party managers (who themselves are registered investment advisers). Such evaluations involve:

- A review of the third party manager's ADV Part 2A to ascertain, among other things, how the third party manager represents that it conducts its advisory business including the investment strategies it employs and methods it uses for calculating and reporting prior performance
- Review and evaluation of prior performance data supplied by the third party manager
- Verification that the third party manager's registration with the SEC/state is current

AIC conducts no independent verification regarding the accuracy or adequacy of such collected data or reported performance either during the initial review process or during subsequent annual reviews. Some advisers are audited by an independent accountant or other independent third party and, if so, AIC may be provided with that information.

AIC's agreements with the money managers reviewed may require additional fee payments by the money manager to AIC based on assets under management. The fee may vary but is generally not expected to exceed 5 basis points (.05%). This arrangement may, however, present a potential conflict of interest with those of advisory clients. It may present a financial incentive to AIC to provide favorable due diligence reviews in order to increase the asset base that it is paid on.

AIC also conducts due diligence on direct participation programs. Such programs may be sold by registered representatives of AIC for which such representatives earn a sales commission. Alternatively, such programs may also be recommended by advisor affiliates on a load-waived or net-asset-value basis in which case such advisor affiliates will not earn a sales commission but may charge an ongoing fee for assets under supervision. In certain instances, Advisory Affiliates may charge an ongoing fee on direct participation programs for which clients may have previously paid a commission, either to the same

individual acting in his capacity as a registered representative with AIC or to another registered representative associated with a broker-dealer other than AIC.

AIC's selling agreements with the sponsors of these programs typically provide for the payment of due diligence and/or marketing allowances directly to the broker-dealer. These fees are over and above any selling compensation received by AIC in connection with the sales of these products and any advisory fees that may be associated with the investment. AIC retains 50 basis points, or ½% of these fees. To the extent that AIC receives due diligence and/or marketing allowances in excess 50 basis points, such excess is typically shared with the selling representative or recommending advisor affiliate.

### **Insurance Strategies**

Some of our Affiliates offer financial planning. By its nature, financial planning looks to the long term. After Affiliates evaluate the client's short-term cash needs and emergency fund, they design investment strategies to help the client achieve his or her financial goals. Some Affiliates offering planning services and may also design insurance strategies. These insurance strategies may be limited to life, health and disability, and may or may not include casualty insurance (e.g. homeowner's, auto, liability, etc.). Clients who are not offered insurance strategies, or given limited types of insurance advice through the Affiliate, should seek this advice from outside insurance firms.

### **Use of Significant Investment Strategies**

AIC does not employ any significant investment strategies, such as high frequency trading, that entail unusual risks. However, in the event that AIC did employ a frequent trading strategy, it is important to note that such a strategy can have an affect on investment performance, particularly through increased brokerage and other transaction costs and taxes.

AIC does not primarily recommend any particular type of security as part of its overall investment advisory services.

As with most investment products and because investment portfolios include securities, investing in securities involves risk of loss that you, as our client, should be prepared to bear.

## **Item 9. Disciplinary Information**

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### **Disclosure Events**

There are no disclosure events involving a criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which AIC or its management personnel are involved.

There are no disclosure events involving an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which AIC or its management personnel are involved.

There are no disclosure events involving a self-regulatory organization (SRO) proceeding in which AIC or its management personnel are involved.

## **Item 10. Other Financial Industry Activities and Affiliations**

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### **Broker/Dealer Affiliation**

AIC is a registered securities broker-dealer, and as such, Affiliates of AIC may be licensed as registered securities salespersons. AIC's primary business is that of selling securities products for which AIC may earn a commission. AIC may recommend the purchase of securities, asset management services, or insurance products offered through the firm. If AIC's clients purchase these products through us, AIC will

receive the normal commission or fees. Thus, a conflict may exist between AIC's interests and those of its advisory clients. The client is under no obligation to purchase products AIC may recommend, or to purchase products through AIC.

Neither AIC nor any of its management persons are registered, or have an application pending, to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

On occasion, AIC and its management persons may own securities products that are also recommended to clients which may present a potential conflict of interest. However, as a preventative measure, all client transactions will be conducted and implemented before any such transaction relating to any personal accounts of any affiliated persons of AIC. In addition to this measure, all of the aforementioned management persons of AIC will act in accordance with applicable securities laws and conduct their business to ensure overall compliance with Insider Trading rules and the Securities Fraud Enforcement Act of 1988.

In the event the client chooses to purchase investment products through AIC's management persons, in their individual capacities as registered representatives, they may receive brokerage commissions to effect securities transactions. The brokerage commissions charged by AIC may be higher or lower than those charged by other broker-dealers. In addition, AIC, as well as AIC's management persons (as applicable), relative to commission mutual fund purchases, may also receive additional, ongoing 12b-1 trailing commission compensation directly from applicable mutual fund companies during the period that the client maintains the mutual fund investment.

#### **Other Brokers**

AIC has arrangements with several other broker-dealers and custodians for the purpose of purchasing no-load mutual funds and other securities for the benefit of supervised or managed portfolios.

#### **Other Investment Advisers**

AIC may enter into agreements with other Registered Investment Advisers and recommend those advisors to clients. In such instances, AIC may receive a portion of the account fee or commissions. In these instances, we will make available to the client a "Compensation Disclosure Statement" and the Form ADV for the other Advisor. The Client is under no obligation to use the services of the Advisor(s) we recommend. Refer also to response pertaining to third-party money managers

Affiliates and Reps of AIC may be independently registered as investment advisors to offer financial planning services or other advisory services which may not be covered under the auspices of AIC, when these services are offered under a "dba" (doing business as name) other than American Investors Company.

#### **Other Investment Advisers (Solicitor Arrangements)**

AIC may receive a solicitor's/referral fee from third party money managers to whom clients are referred. AIC will disclose the amount of such fees; the nature of the relationship between AIC, the Affiliate, and the third party money manager; and whether the payment to AIC and the Affiliate will affect the fees that the client would otherwise have to pay for the services of the third party manager as required by rule 206(4)-3 under the Investment Advisers Act. As required by that rule, the Affiliate will at the same time give the client a copy the third party manager's ADV Part 2 or a brochure containing the same information. The third party manager's ADV Part 2 will describe its services and contain a complete fee schedule.

Pursuant to Rule 206(4)-3, a separate written disclosure document prepared by the third party manager will be furnished by the Affiliate to the client containing the following information:

1. The name of the solicitor;
2. The name of the investment adviser;
3. The nature of the relationship, including any affiliation, between the solicitor and the investment adviser;
4. A statement that the solicitor will be compensated for his solicitation services by the investment adviser;
5. The terms of such compensation arrangement, including a description of the compensation paid or to be paid to the solicitor; and
6. The amount, if any, for the cost of obtaining his account the client will be charged in addition to the advisory fee, and the differential, if any, among clients with respect to the amount or level of advisory fees charged by the investment adviser if such differential is attributable to the existence of any arrangement pursuant to which the investment adviser has agreed to compensate the solicitor for soliciting clients for, or referring clients to, the investment adviser.

### **Insurance Products**

Affiliates of AIC may also be licensed insurance agents and sell insurance products.

Affiliates of AIC may be licensed with several life, disability, and other insurance companies. AIC may recommend insurance products offered by these companies. If AIC's clients purchase these products through the firm, AIC will receive the normal commissions. Thus a conflict of interest may exist between AIC's interests and those of its advisory clients. The client is under no obligation to purchase products AIC may recommend, or to purchase products either through AIC or through these insurance agents, brokers or companies.

### **Real Estate Brokerage**

Affiliates may be independently licensed as real estate agents or brokers and may recommend the purchase of real estate or trust deeds and/or make referrals to unaffiliated real estate brokers. If clients purchase properties or trust deeds, the Affiliates may receive a commission or finder's fees. Thus a conflict of interest may exist between the interests of our Affiliates and those of our advisory clients. The client is under no obligation to purchase real estate or deeds of trust through Affiliates or the real estate brokers they recommend.

### **Other Independent Businesses**

Affiliates may operate independent businesses outside of their affiliation with AIC and may provide services, which may include, but may not be limited to, investment advisors, attorneys, CPAs, or enrolled tax agents. These outside activities are not under the auspices of AIC.

### **Disclosure of Material Conflicts**

All reasonable material conflicts of interest are disclosed regarding AIC, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

## **Item 11. Code of Ethics, Participation/Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

AIC's Code of Ethics is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940. The Code is based upon the principle that AIC and its employees owe a fiduciary duty to clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The purpose of AIC's Code of Ethics is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct. As such, AIC and its employees are prohibited from engaging in fraudulent, deceptive, or manipulative conduct. AIC and its employees have an affirmative duty of utmost good faith to act solely in the best interest of its clients.

AIC will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

### **Participation/Interest in Client Transactions**

AIC, as broker-dealer, may from time to time buy securities into its own account, and as principal will sell to clients as riskless principal transactions. These clients may be advisory clients of our firm. When a principal trade occurs, the capacity in which we are acting will be disclosed to the client on trade confirmations.

As Reps, the Affiliates of AIC will be compensated for effecting securities transactions on the normal commission schedule, which schedule may be discounted at the Rep's discretion.

For a brokerage or advisory client, AIC may arrange a purchase or sale of a direct participation interest such as a limited partnership interest to another advisory or brokerage client but only in a situation in which there is no reasonably liquid secondary market on which the security can be readily bought and sold.

At times AIC and/or its Affiliates may take positions in the same securities as clients and will try to avoid conflicts with clients. The Advisor and its Affiliates will generally be "last-in" and last-out" for the trading day when trading occurs in close proximity to client trades. We will not violate the advisor's fiduciary responsibilities to our clients. Scalping (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality, e.g., a thinly traded stock, disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict, i.e., a purchase or sale which is minimal in relation to the total outstanding market value and trading volume, and that would have negligible effect on the market price, would not be disclosed at the time of trading

## **Item 12. Brokerage Practices**

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### **Research and Other Soft Dollar Benefits**

Regarding research and other soft dollar benefits, AIC does not receive research (both proprietary and non-proprietary) or other products or services other than execution services from a broker/dealer or a third party in connection with client securities transactions (otherwise known as "soft dollar benefits").

## **Investment or Brokerage Discretion**

AIC has limited discretion over the selection of brokers to be used and the commission rates to be paid. While commission rates are an important factor in broker selection, AIC may suggest brokers that charge commissions higher than those obtainable from other brokers. In selecting a broker for any transaction or series of transactions, AIC may consider a number of factors in addition to commission rates, including, for example net price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block position capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, on-line access to computerized data regarding client accounts, the availability of stocks to borrow for short trades, custody, record keeping or other similar services, as well as other factors involved in the receipt of general brokerage services.

## **Directed Brokerage**

AIC may permit a client to direct brokerage. If applicable, AIC may be unable to achieve most favorable execution of client transactions. It is important to note that directed brokerage arrangements may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because AIC may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

## **Suggesting Brokers**

Because AIC is a registered broker-dealer, if our clients freely choose to implement commissionable trades through the firm, then AIC is the broker-dealer.

AIC performs due diligence on a variety of investment offerings including direct participation programs and insurance products. Only those investments that meet minimum requirements of high standards will be on the "approved product list" and be offered for sale to clients by our Reps.

For supervised or managed accounts, our Affiliates may recommend, and our clients may choose to implement supervised or managed account strategies through our clearing broker, National Financial Services, LLC (NFS). On NFS' advisory platform, Affiliates may use load-waived funds, no-load funds and other securities. Advisory clients will pay ticket charges for load-waived funds, no-load funds and other securities. NFS provide clients with account statements.

Additionally, our Affiliates may recommend, and our clients may choose to implement supervised or managed account strategies through a discount broker or custodian. The selection is made based on the discount rates and execution services available to the client. Clients may pay transactions fees or ticket charges to these brokers or custodians for the purchase of no-load funds and other securities. These firms provide clients with account statements. We are not registered representatives of these outside brokers or custodians, and do not receive any commissions or fees from recommending these services.

## **Aggregation of Client Orders**

AIC may aggregate trades and execute block trades. AIC has no specific policy regarding the aggregation of trades and thus, in instances where trades could possible be aggregated but are not, execution costs may be higher. Regardless of whether trades are aggregated or not, individual investment advice and treatment will be accorded to each advisory client consistent with client's investment objectives. No Advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. The aggregation should, on average, reduce the cost of execution, and AIC and/or its Affiliates will not aggregate clients' orders if in a particular instance we believe that aggregation would cause clients' cost of execution to be increased. AIC and/or its Affiliates may participate in block trades with clients and may also participate on a pro rata basis for partial fills, but only if clients receive fair and equitable treatment.



## **Item 13. Review of Accounts**

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### **Review of Accounts**

Generally, a client retaining service for financial plans would not receive any scheduled reviews or on-going reports, unless AIC or its Affiliates are specifically retained for these services by the client. Generally, managed or supervised portfolios are reviewed periodically.

Each Affiliate does the direct review of his/her client accounts; the frequency of review and extent of review is determined upon acceptance of the Agreement and is based upon the engagement of services. An AIC supervisor conducts periodic reviews of client activity.

Overall investment management, market prospects and individual issue prospects may be considered in the review process. Triggering factors that may affect an account review could be any material change in a client's account such as a change in company earnings, industry/company outlook as well as other economic factors. All clients are encouraged to conduct an annual review of their financial objectives, account performance as well other relevant factors.

### **Nature and Frequency of Reports**

Clients receive standard account statements from investment sponsors, custodians and/or brokerage firms.

Clients receive reports on accounts, conveyed either in writing or orally, and on a frequency agreed upon by the client and AIC and/or Affiliate, but no less than annually.

Clients may receive additional individualized reports, the nature and frequency of which are determined by client need and the services offered by each Affiliate.

## **Item 14. Client Referrals and Other Compensation**

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### **Receipt of Economic Benefit (non-client)**

AIC as broker-dealer may receive additional compensation from mutual fund companies. All allowable compensation is disclosed in the mutual fund prospectus. Commission rates are set by each fund, and clients do not pay-up for the additional compensation. AIC may also receive additional compensation on stocks, bonds, direct participation programs, and insurance, as may be applicable in the normal course of running a securities brokerage business. AIC does not enter into soft dollar arrangements

### **Direct/Indirect Compensation for Client Referrals**

AIC or its Affiliates may pay a portion or percentage of investment advisory fees received from advisory clients to other individuals/entities for referring advisory clients to AIC or Affiliate. If a client is introduced to AIC by either an unaffiliated or an affiliated solicitor, AIC may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Current procedures are that the Client will, under no circumstances, be charged an additional fee for such arrangement. Compensation arrangements will vary with each solicitor. If the Client is introduced to AIC by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of the solicitor relationship, and shall provide each prospective client with a copy of AIC's written disclosure statement as set forth in AIC's Form ADV, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between AIC and the solicitor, including the compensation to be received by the solicitor from AIC. Any affiliated solicitor of AIC shall disclose the nature of the relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of AIC's written disclosure statement as set forth in the Form ADV.

## **Item 15. Custody**

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AIC does not maintain custody of client funds and/or securities. Therefore, clients will receive their monthly and/or quarterly account statements directly from the designated broker/dealer, bank or other qualified custodian of record and therefore should carefully review those statements for accuracy. In the event that clients also receive account statements from AIC, it strongly encourages each client to compare the account statements they receive from the qualified custodian with those received from AIC.

## **Item 16. Investment Discretion**

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Affiliates supervising or managing portfolios may have discretion over client trading activity. If this is the case, the Affiliate will obtain the client's permission on the Investment Advisory Agreement.

In this case, Client delegates to Affiliate limited discretionary trading authority with respect to the purchase, exchange and sale of mutual funds, actively traded equities, equity-related securities and other traded securities, as well as the amount of such securities to be bought or sold on behalf of the Client. Client may also appoint an Affiliate of AIC as agent and attorney-in-fact to purchase, sell and trade such securities, waivers, consents and other instruments with respect to such securities.

AIC will not have authority to withdraw funds or take custody of client funds or securities with the exception of having authorization to deduct advisory fees or other expenses from the client's account.

## **Item 17. Voting Client Securities**

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AIC does not allow its affiliates to vote proxies on behalf of clients. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. All proxies will be sent directly to the client's address of record as listed on the account.

For portfolios subject to Employee Retirement Security Act of 1974 ("ERISA"), responsibility for proxy voting will be determined by the plan document, trustee of the client's account or a named fiduciary of the client's account other than AIC.

## **Item 18. Financial Information**

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### **Pre-Payment of Fees**

AIC does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

### **Financial Condition**

AIC has no financial conditions that impair its ability to meet contractual commitments to clients.

### **Bankruptcy Disclosure**

AIC has not been the subject of a bankruptcy petition at any time during the past ten years.

## Privacy Policy

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AIC and its representatives take your privacy seriously. We recognize our obligation to keep your personal information secure and confidential. **It is important for you to know that we do not sell information about current or former clients to anyone.**

### **Information we collect:**

When you obtain services from us, we collect information such as name, address, social security number, telephone number, email address, date of birth, income, employment, tax bracket and net worth.

### **How we collect information:**

We collect nonpublic personal information about you from applications, statements and other forms received from you and from other oral and electronic communications such as e-mail. We also receive information from transactions in your account(s) and may receive information from consumer reporting agencies.

### **Who we share the information with:**

As permitted by law, we may share information with third parties when necessary in order to provide the services you seek from us. An example would be the sharing of your information with a mutual fund or other such company in order to process your business. We may also provide nonpublic information about you to non-affiliated third parties as otherwise permitted or required by law. An example of this would be the sharing of your information with the Financial Industry Regulatory Authority or the Securities and Exchange Commission who oversee our activities.

Except as provided above and as permitted by law, we do not share your information with any non-affiliated third-persons.

### **If your relationship with us ends:**

If your relationship with us ends, we will continue to treat personal information in accordance with this Privacy Notice, which means that, except as provided above and as permitted by law, we will not disclose any nonpublic personal information about former customers to anyone.

### **Protecting your information:**

We restrict access to nonpublic personal information about you to those representatives and employees who need to know this information to provide products or services to you. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.

You do not need to call or do anything as a result of this notice. It is meant to inform you of how AIC safeguards your nonpublic personal information.