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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT FORM X-17A-5 PART III

SEC FILE NUMBER
8. 00099

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2011 AND ENDING 12/31/2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Associated Investment Services, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2985 South Ridge Road, Suite C

(No. and Street)

Green Bay

Wisconsin

54305-0640

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Curtis J. Fuszard, President & Chief Executive Officer (608) 259-3649

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG, LLP

(Name - if individual, state last, first, middle name)

303 East Wacker Drive

Chicago

Illinois

60601-5212

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, Curtis J. Fuszard, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Associated Investment Services, Inc., as of December 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

[Signature]
Signature

PRESIDENT CEO
Title

Rebecca A. Schwartz

[Signature]
Notary Public

expires 12/23/12

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.



**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)

FINANCIAL STATEMENTS AND SCHEDULES
DECEMBER 31, 2011

TABLE OF CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1
FINANCIAL STATEMENTS	
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Stockholder's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6
SCHEDULES	
(1) Computations of Net Capital Under SEC Rule 15c3-1	14
(2) Customer Reserve Bank Account Computation of Reserve Under SEC Rule 15c3-3	15
(3) Information Relating to Possession or Control Requirements Under SEC Rule 15c3-3	16
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5.	17



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Report of Independent Registered Public Accounting Firm

The Board of Directors
Associated Investment Services, Inc.:

We have audited the accompanying statement of financial condition of Associated Investment Services, Inc. (a wholly owned subsidiary of Associated Banc-Corp) (the Company), as of December 31, 2011, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Investment Services, Inc. as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedules 1, 2, and 3 required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

February 28, 2012

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2011

ASSETS	
Cash and cash equivalents	\$5,575,332
Securities owned:	
Marketable, at fair value	1,125,342
Not readily marketable, at estimated fair value	5,000
Deposit with clearing broker	100,000
Receivable from broker/dealers and clearing organization	835,531
Receivable from related parties	200,318
Fixed assets – less accumulated depreciation of \$327,600	2,000
Prepaid assets	234,963
Prepaid pension cost	1,142,250
Income tax receivable	370,620
Total assets	\$ 9,591,356
LIABILITIES AND STOCKHOLDER'S EQUITY	
Payable to clearing organization	\$ 4,769
Accrued personnel expense	962,841
Income tax payable	131,034
Deferred tax liability, net	337,327
Other liabilities	8,099
Total liabilities	\$ 1,444,070
Stockholder's equity	
Common stock (No par value with a stated value of \$100 per share, authorized 1,000 shares, issued and outstanding 480 shares)	\$ 48,000
Surplus	2,507,049
Retained earnings	5,592,237
Total stockholder's equity	8,147,286
Total liabilities and stockholder's equity	\$ 9,591,356

See accompanying notes to financial statements.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

Revenue:	
Commissions	\$ 6,783,013
Interest and dividends	4,853
Investment advisory fees	874,133
Annuity and insurance commission revenue from related party	9,059,970
Other revenues	2,143,634
<u>Total revenue</u>	<u>18,865,603</u>
Expenses:	
Personnel expense	12,483,181
Commissions and floor brokerage	509,226
Occupancy and equipment	1,506,007
Communications and data processing	238,879
Business development and advertising	341,644
Affiliate management and administrative fees	2,238,936
Other expenses	1,019,382
<u>Total expenses</u>	<u>18,337,255</u>
Income before income taxes	528,348
Income tax expense	223,134
<u>Net income</u>	<u>\$ 305,214</u>

See accompanying notes to financial statements.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Common Stock</u>			<u>Retained</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Surplus</u>	<u>Earnings</u>	<u>Total</u>
Balance, December 31, 2010	480	\$ 48,000	\$ 2,444,675	\$ 5,287,023	\$7,779,698
Net income	---	---	---	305,214	305,214
Stock-based compensation expense, net	---	---	62,374	---	62,374
Balance, December 31, 2011	480	\$ 48,000	\$ 2,507,049	\$ 5,592,237	\$8,147,286

See accompanying notes to financial statements.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 305,214
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,978
Stock-based compensation expense, net	62,374
Changes in assets and liabilities:	
Increase in net receivable from broker/dealer and clearing organization	(52,214)
Net decrease in investment securities	9,884
Increase in receivable from related parties	(47,918)
Decrease in prepaid assets	3,033
Increase in prepaid pension cost	(649,326)
Increase in payable to clearing organization	1,096
Decrease in payable to related parties	(12,273)
Increase in accrued personnel expense	251,070
Decrease in other liabilities	(47,798)
Increase in income tax receivable	(196,221)
Increase in income tax payable	68,278
Increase in deferred tax expense	195,077
Net cash used by operating activities	(107,746)
Net decrease in cash and cash equivalents	(107,746)
Cash and cash equivalents at beginning of year	5,683,078
Cash and cash equivalents at end of year	\$5,575,332
 Supplemental disclosures of cash flow information:	
Cash paid during the year for income taxes	\$ 156,000

See accompanying notes to financial statements.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles. Significant accounting and reporting policies follow.

Principal Business Activity

Associated Investment Services, Inc. (the "Company"), a wholly owned subsidiary of Associated Banc-Corp (the "Parent"), is a registered broker and dealer in securities under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Chicago Stock Exchange.

The Company acts as an introducing broker, clears all transactions on a fully disclosed basis with a clearing broker or dealer, and transmits all customer funds and securities to the clearing broker or dealer. Although the Company does not carry customer funds or securities, on occasion it does receive checks made payable to itself, which the Company deposits into its clearing broker account or dealer bank account with an affiliate. Therefore, the Company does not meet all the requirements as set forth in the exemptive provisions of SEC Rule 15c3-3 under paragraph (k)(2)(ii), and must comply with the Determination of Reserve Requirements Pursuant to SEC Rule 15c3-3.

Revenue Recognition

Commissions and related clearing expenses for mutual funds, investment securities, and annuities are recorded on a trade-date basis. Commissions for insurance products are recognized upon insurance company approval of the transaction and when the cash is received.

Customers invested in a managed product will incur a quarterly management fee. We receive those fees quarterly and recognize it as revenue on a pro-rata basis over the following three months.

Cash and Cash Equivalents

The Company considers cash and interest bearing deposits with other financial institutions to be cash and cash equivalents.

Cash of \$300,000 has been segregated in a special reserve bank account for the benefit of customers under rule 15c3-3 of the Securities and Exchange Commission.

Securities Owned

Marketable securities are reported at fair value. Unrealized gains or losses are included in other revenues in the Statement of Income.

Fixed Assets

Furniture, equipment, software and leasehold improvements are stated at cost less accumulated depreciation and amortization. Furniture, equipment and software are being depreciated on a straight-line basis over the estimated useful lives of the assets of 3 to 15 years. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life of the improvement or the term of the lease. Maintenance and repair costs are charged to expense as incurred.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Income Taxes

The Company is included in the consolidated federal income tax return filed by the Parent. Federal and state income taxes are calculated as if the Company filed on a separate return basis, and the amount of current tax calculated is remitted to the Parent.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Use of Estimates in Preparation of Financial Statements

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Stock-Based Compensation

The Company recognizes compensation expense for the fair value of stock grants on a straight-line basis over the vesting period of the grants. Compensation expense recognized is included in personnel expense in the Statement of Income. See Note 9 for additional information on stock-based compensation.

NOTE 2 RECEIVABLE FROM AND PAYABLE TO BROKER/DEALERS AND CLEARING ORGANIZATION

At December 31, 2011, amounts receivable from and payable to broker/dealers and clearing organizations consist of fees and commissions receivable, and the related charges of customer transactions cleared through another broker/dealer on a fully disclosed basis.

NOTE 3 INCOME TAXES

Income tax expense for the year ended December 31, 2011 consists of the following:

Current:	
Federal	\$ (40,221)
State	68,278
<u>Total current</u>	<u>28,057</u>
Deferred:	
Federal	225,349
State	(30,272)
<u>Total deferred</u>	<u>195,077</u>
<u>Income tax expense</u>	<u>\$223,134</u>

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Deferred income taxes are provided for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. The major differences that give rise to the deferred tax assets and liabilities at December 31, 2011 are as follows:

Gross Deferred Tax Assets:	
Accrued liabilities	\$ 2,094
Fixed assets	13,379
State income taxes	59,912
Deferred compensation	89,419
<u>Total gross deferred tax assets</u>	<u>164,804</u>
 Gross Deferred Tax Liabilities:	
Prepaid insurance	(51,863)
Deferred pension cost	(450,268)
<u>Total gross deferred tax liabilities</u>	<u>(502,131)</u>
 <u>Net deferred tax liability</u>	 <u>\$ (337,327)</u>

The net deferred tax liability of \$337,000 is net of a Federal deferred tax liability of \$355,000 and a net State deferred tax asset of \$18,000.

The effective tax rate differs from the statutory federal tax rate of 35%. The major reasons for this difference are as follows:

Federal income tax rate at statutory rate	35.0%
Increases resulting from:	
State income taxes (net of federal income taxes)	4.7%
Non-deductible meals and entertainment expenses	2.5%
<u>Effective income tax rate</u>	<u>42.2%</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets at December 31, 2011 is dependent upon the Company's ability to generate future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and, if necessary, tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deferred tax assets at December 31, 2011. No valuation allowance has been recorded at December 31, 2011.

It is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. Any such interest and penalties related to unrecognized tax benefits is recognized in income tax expense. No accrued tax interest or penalties have been recognized by the Company during 2011 or at December 31, 2011.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company's federal income tax returns are open and subject to examination from the 2007 tax return year and forward, while the Company's various state income tax returns are generally open and subject to examination from the 2003 and later tax return years based on individual state statutes of limitation.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 EMPLOYEE BENEFITS

Substantially all full-time employees of the Company are covered under the noncontributory defined benefit plan ("Benefit Plan") of the Parent. Under the Benefit Plan, the Company is allocated a portion of the expense based on employees level of compensation, and the pension obligation is recognized by the Parent. The Company's share of pension expense was approximately \$175,000 in 2011.

Substantially all full-time employees of the Company are covered under the 401(k) and Employee Stock Ownership Plan (Savings Plan) of the Parent, and employees may make pre-tax contributions up to certain IRS dollar limits. Total expense related to the Company's contributions to the Savings Plan was approximately \$335,000 in 2011.

NOTE 5 COMMITMENTS AND CONTINGENT LIABILITIES

The Company leases office space from its Parent and various entities owned by its Parent under operating lease arrangements that are cancelable under mutual agreement. Lease payments are determined annually based upon base rents, other operating costs and head count of employees. Rent expense, included in occupancy and equipment on the Statement of Income, for all related-party operating leases, totaled approximately \$1.5 million in 2011. There are no long-term lease obligations.

In the ordinary course of business, the Company may be named as defendant in or be a party to various pending and threatened legal proceedings. Because the Company cannot state with certainty the range of possible outcomes or plaintiffs' ultimate damage claims, management cannot estimate the timing or specific possible loss or range of loss that may result from these proceedings. Management believes, based upon current knowledge, that liabilities arising out of any such current proceedings will not have a material adverse effect on the financial position, results of operations or liquidity of the Company.

NOTE 6 RELATED-PARTY TRANSACTIONS

Pension and profit-sharing plan expense allocations are discussed in Note 4.

Terms of leases (including rent expense) with the Parent and various entities owned by the Parent are discussed in Note 5.

The Company paid affiliate management and administrative fees of approximately \$2.2 million in 2011 to the Parent.

As discussed in Note 1, the Company is included in the consolidated federal income tax return filed by the Parent. Federal and state income taxes are calculated as if the Company filed on a separate return basis, and the amount of current tax calculated is remitted to the Parent. The Company paid approximately \$0.2 million in 2011 to the Parent for income taxes.

A revenue sharing arrangement exists between the Company and Associated Financial Group, LLC ("AFG"), a wholly owned subsidiary of Associated Bank, National Association (the "Bank"), which is a wholly owned subsidiary of the Parent. The arrangement was established to account for and allocate revenue with respect to the sale of annuity and insurance products that are distributed by dual employees of the Company and AFG. Shared revenue related to annuity and insurance product sales for 2011 totaled \$9.1 million. Of this amount, approximately \$162,000 was a receivable from AFG at

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

December 31, 2011. Product distribution receivable from an affiliate at December 31, 2011 totaled approximately \$38,000.

A revenue sharing arrangement exists between the Company and Associated Trust Company, National Association, which is a wholly owned subsidiary of the Bank, to allocate asset based revenues received from Goldman Sachs. The revenue for the Company is calculated based upon the value of the assets of the Company invested with Goldman Sachs. Shared revenue for 2011 totaled approximately \$3,000.

The Company maintained a balance of approximately \$5.6 million of cash and cash equivalents at the Bank at December 31, 2011.

NOTE 7 OFF-BALANCE SHEET AND CONCENTRATION OF CREDIT

The Securities Investor Protection Corporation ("SIPC") insures cash and securities up to \$500,000 (although coverage of cash is limited to \$250,000). Amounts in excess of SIPC insured limits were approximately \$625,000 at December 31, 2011.

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet risk in the event the customer or other broker is unable to fulfill its contractual obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company, through a clearing broker/dealer, extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the clearing broker/dealer executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The clearing broker/dealer, seeks to control the risks associated with the Company's customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The clearing broker/dealer monitors the Company's customers' required margin levels daily and, pursuant to such guidelines, requires the Company to contact the Company's customers to deposit additional collateral or to reduce positions when necessary.

NOTE 8 NET CAPITAL REQUIREMENTS

The Company is subject to SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2011, the Company had net capital as defined under regulatory capital requirements of approximately \$2.3 million which was approximately \$2.0 million in excess of its required net capital of \$250,000. The Company's ratio of aggregate indebtedness to net capital ratio was 0.47 to 1.00 at December 31, 2011.

NOTE 9 STOCK-BASED COMPENSATION

The Company recognizes expense for stock-based compensation using the fair value method of accounting. The fair value of stock options granted for common stock of the Parent is estimated on the date of grant using a Black-Scholes option pricing model and is amortized as compensation

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

expense on a straight-line basis over the vesting period of the grants (3 years). Compensation expense recognized is included in personnel expense on the Statement of Income.

Assumptions are used in estimating the fair value of stock options granted. The weighted average expected life of the stock option represents the period of time that stock options are expected to be outstanding and is estimated using historical data of stock option exercises and forfeitures. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected volatility is based on the historical volatility of the Parent's stock. The following assumptions were used in estimating the fair value for options granted in 2011: a weighted average expected life of 6 years, a risk-free interest rate of 2.32%, an expected volatility of 48.12%, and a dividend yield of 2.00%. Based on these assumptions, the estimated fair value of the stock options granted during 2011 was \$5.69 per share.

A summary of the Company's stock option activity for 2011 is presented below.

<u>Stock Options</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at December 31, 2010	100,056	\$24.74
Granted	21,302	14.28
Exercised	(850)	13.16
Forfeited	(20,411)	21.25
Outstanding at December 31, 2011	<u>100,097</u>	<u>\$23.33</u>
Options exercisable at December 31, 2011	<u>70,792</u>	<u>\$27.10</u>

The Company recognized compensation expense of approximately \$62,000 during 2011 for the vesting of stock options. At December 31, 2011, the Company had approximately \$94,000 of unrecognized compensation costs related to stock options that is expected to be recognized over the remaining vesting period for options previously granted of approximately 2 years.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 10 FAIR VALUE MEASUREMENTS

The FASB issued an accounting standard (subsequently codified into ASC Topic 820, "Fair Value Measurements and Disclosures") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This accounting standard applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard amends numerous accounting pronouncements but does not require any new fair value measurements of reported balances. The standard also emphasizes that fair value (i.e., the price that would be received in an orderly transaction that is not a forced liquidation or distressed sale at the measurement date), among other things, is based on exit price versus entry price, should include assumptions about risk such as nonperformance risk in liability fair values, and is a market-based measurement, not an entity-specific measurement. When considering the assumptions that market participants would use in pricing the asset or liability, this accounting standard establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy prioritizes inputs used to measure fair value into three broad levels.

- | | |
|-----------------------|--|
| Level 1 inputs | Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. |
| Level 2 inputs | Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. |
| Level 3 inputs | Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. |

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Following is a description of the valuation methodologies used for the Company's more significant instruments measured on a recurring basis at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. While the Company considered the unfavorable impact of recent economic challenges (including but not limited to weakened economic conditions, disruptions in capital markets, troubled or failed financial institutions, government intervention and actions) on quoted market prices for identical and similar financial instruments, and on inputs or assumptions used, the Company accepted the fair values determined under its valuation methodologies.

Securities Owned: Where quoted prices are available in an active market, securities owned are classified in Level 1 of the fair value hierarchy. The Company's investment in a money market fund totaled \$1.1 million at December 31, 2011 and is classified within Level 1 of the fair value hierarchy.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows, with consideration given to the nature of the quote and the relationship of recently evidenced market activity to the fair value estimate, and are classified in Level 2 of the fair value hierarchy.

The Company's shares in the Chicago Stock Exchange totaled \$5,000 at December 31, 2011 and are classified within Level 2 of the fair value hierarchy. Lastly, in certain cases where there is limited activity or less transparency around inputs to the estimated fair value, securities are classified within Level 3 of the fair value hierarchy. The Company does not have securities owned that are classified within Level 3 of the fair value hierarchy.

NOTE 11 SUBSEQUENT EVENTS

Management has evaluated subsequent events for potential recognition or disclosure through February 28, 2012, the date of the filing of the financial statements with the Securities and Exchange Commission.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)

Schedule 1

**COMPUTATIONS OF NET CAPITAL UNDER SEC RULE 15C3-1
DECEMBER 31, 2011**

NET CAPITAL:		
Total stockholder's equity		\$8,147,286
Deductions and/or charges:		
A. Nonallowable assets:		
Prepaid Expenses	234,963	
Fixed Assets, net	2,000	
Income tax receivable and net deferred tax asset	370,619	
Other assets	5,223,505	
Total Nonallowable assets	5,831,087	
Additional charges for customers' and non-customers' security accounts	320	

B. Other deductions and/or charges		(5,831,407)
Net capital before haircuts on securities positions (tentative net capital)		2,315,879
Haircuts on securities positions pursuant to Rule 15c-3-1(f)		(22,507)
Net capital		\$2,293,372
AGGREGATE INDEBTEDNESS:		
Items included in statement of financial condition:		
Accounts payable, accrued expenses, and other liabilities		\$ 1,068,525
Deduction for required deposit in Reserve Bank Account		0
Total aggregate indebtedness		\$ 1,068,525
Ratio: Aggregate indebtedness to net capital		0.47 to 1.00
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:		
Minimum net capital required (6-2/3% of aggregate indebtedness)		\$ 71,235
Minimum dollar net capital requirement		\$ 250,000
Net capital requirement (greater of minimum net capital or minimum dollar net capital)		\$ 250,000
Excess net capital		\$2,043,372
There is no material difference between the computation of net capital above and that reported by the Company in Part II A (unaudited) of Form X-17A-5 as of December 31, 2011.		

See accompanying report of independent registered public accounting firm.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)

Schedule 2

CUSTOMER RESERVE BANK ACCOUNT COMPUTATION UNDER SEC 15C3-3
DECEMBER 31, 2011

	Credits	Debits
1. Free credit balances and other credit balances in customers' security accounts.	-0-	
2. Monies borrowed collateralized by securities carried for the account of customers.	-0-	
3. Monies payable against customers' securities loaned.	-0-	
4. Customers' securities failed to receive.	-0-	
5. Credit balances in firm accounts which are attributable to principal sales to customers.	-0-	
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days.	-0-	
7. Market value of short security count difference over 30 calendar days old.	-0-	
8. Market value of short securities and credits in all suspense accounts over 30 calendar days.	-0-	
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days.	-0-	
10. Mutual fund breakpoint liability projection	-0-	
11. Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection.		-0-
12. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver.		-0-
13. Failed to deliver of customers securities not older than 30 calendar days.		-0-
14. Margin required and on deposit with the Options Clearing Corp. for all option contracts written or purchased in customer accounts.		-0-
Totals	\$ -0-	-0-
15. Excess of total credits over total debits required to be on deposit in a "Reserve Bank Account"	\$ -0-	
16. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits	\$ -0-	
17. Amount on deposit in Reserve Bank Account 1-141824-3	\$300,000	
18. Additional deposit required	-0-	

There is no material difference between the determination of reserve requirements above and that reported by the Company in Part II (unaudited) of Form X-17A-5 as of December 31, 2011.

See accompanying report of independent registered public accounting firm.

ASSOCIATED INVESTMENT SERVICES, INC.
(A WHOLLY OWNED SUBSIDIARY OF ASSOCIATED BANC-CORP)

Schedule 3

**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER SEC RULE 15C3-3
DECEMBER 31, 2011**

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3. \$ NONE
- A. Number of items ---
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. \$ NONE
- A. Number of items ---
3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3. YES (x)

See accompanying report of independent registered public accounting firm.



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Report of Independent Registered Public Accounting Firm

The Board of Directors
Associated Investment Services, Inc.:

We have audited the accompanying statement of financial condition of Associated Investment Services, Inc. (a wholly owned subsidiary of Associated Banc-Corp) (the Company), as of December 31, 2011, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Investment Services, Inc. as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedules 1, 2, and 3 required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

February 28, 2012



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

**Report of Independent Registered Public Accounting Firm on Applying
Agreed-Upon Procedures Pursuant to SEC Rule 17a-5(e)(4)**

The Board of Directors
Associated Investment Services, Inc.:

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2011, which were agreed to by Associated Investment Services, Inc. (the Company) and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries per inspection of check requests and check copies noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences; and
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 28, 2012