

# **Institutional Investors Advisory Company**

## **Disclosure Brochure**

**June 15, 2012**

**Institutional Investors Advisory Company • 2150 Hampton Avenue, St. Louis, Missouri 63139 • (314) 644-2150**

**This brochure provides information about the qualifications and business practices of Institutional Investors Advisory Company. If you have any questions about the contents of this brochure, please contact us at (314) 644-2150. 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 Institutional Investors Advisory Company also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Material Changes**

Not applicable.

# Institutional Investors Advisory Company

Disclosure Brochure • June 15, 2012

## Table of Contents

---

Item	Page
<b>Advisory Business .....</b>	<b>1</b>
General .....	1
Privacy Notice .....	1
<b>Fees &amp; Compensation .....</b>	<b>1</b>
<b>Performance-Based Fees &amp; Side-by-Side Management .....</b>	<b>1</b>
<b>Types of Clients .....</b>	<b>1</b>
<b>Methods of Analysis, Investment Strategies &amp; Risk of Loss .....</b>	<b>1</b>
Material Risks.....	2
<b>Disciplinary Information .....</b>	<b>3</b>
<b>Other Financial Industry Activities &amp; Affiliations .....</b>	<b>3</b>
<b>Code of Ethics, Participation or Interest in Client Transactions &amp; Personal Trading .....</b>	<b>3</b>
Code of Ethics.....	3
Participation or Interest in Client Transactions .....	3
<b>Brokerage Practices .....</b>	<b>3</b>
<b>Review of Accounts .....</b>	<b>4</b>
<b>Client Referrals &amp; Other Compensation .....</b>	<b>4</b>
<b>Custody .....</b>	<b>4</b>
<b>Investment Discretion .....</b>	<b>4</b>
<b>Voting Client Securities .....</b>	<b>4</b>
<b>Financial Information .....</b>	<b>4</b>

# Advisory Business

## General

Institutional Investors Advisory Company (“IIAC,” “we” or “us”) is an investment adviser founded in 1970 and registered with the Securities and Exchange Commission (“SEC”) in 2012. We provide investment advisory services on a discretionary basis to only one client, which is a privately-offered fund that is only open to certain non-profit investors (the “Fund”).

We are under common control with the following companies: Institutional Transportation Company, ITC Leasing, ZED Investment Company, Zielinski & Associates, P.C., Zielinski Ministry Services, Inc., and Zielinski Companies, Inc. (collectively, the “Zielinski Companies”).

Zielinski Companies began serving religious and non-profit clients in 1957. The founder, William L. Zielinski, started working with clients in the Midwest as great changes were starting to take place for religious congregations. During the early years, it became apparent that specialized services had to be developed to serve the needs, lifestyle, and mission of religious and non-profit organizations. Consequently, services were developed that truly provided the opportunity to advance the mission and achieve the goals to these specialized groups.

From that early start of providing accounting, auditing, facility, and resource planning services, Zielinski Companies has grown into a worldwide provider of a complete range of services for religious and non-profit organizations. These services include audit, accounting and tax services, cash management services, fundraising and development, long-term care management, motherhouse administration, organizational management and planning, real estate and facility advisory services, and vehicle and fleet management services.

As of December 31, 2012, we managed approximately \$424 million of client assets on a discretionary basis. IIAC is owned by Mr. William Zielinski, its President.

We serve as the discretionary investment adviser to the Fund—our sole client. As such, we determine which securities the Fund buys and sells. Our advice is limited to the fixed-income and other securities held by the Fund, which may include money market funds, collateralized mortgage obligations (“CMOs”), real estate mortgage investment conduits (“REMICs”), bonds, investment grade corporate bonds and government agency bonds, in addition to certificates of deposit. We may sponsor or manage additional private investment funds in the future.

Our advisory services are tailored to only the Fund’s needs, and we do not tailor our services to any other person’s needs.

## Fees & Compensation

Our annual management fees for the Fund are 0.89% of the Fund’s assets and are determined in agreement with the Fund. Since the Fund’s board of directors is controlled by us and our affiliates, such rate was not negotiated with any independent party or considered to be at “arm’s length.” Under the terms of the Investment Advisory Agreement between us and the Fund (the “Agreement”), the Fund pays us 1/12<sup>th</sup> of the total fee each month in arrears, which fees are deducted from the Fund’s account and based on the value of the Fund’s assets as of the second to last day of each month.

As further described in the Fund’s offering memorandum (“Memorandum”), Fund investors will indirectly pay other expenses and fees associated with an investment in the Fund. Those fees and expenses include custodial and accounting fees, as well as transactional and execution fees incurred by the Fund.

No person receives any compensation in connection with the placement of interests in the Fund.

## Performance-Based Fees & Side-By-Side Management

Not applicable.

## Types of Clients

The Fund is our sole client. It has minimum investor qualifications, as described in the Memorandum.

## Methods of Analysis, Investment Strategies & Risk of Loss

As further discussed in the Memorandum, the Fund seeks to generate current income while preserving its principal. We seek to attain the Fund’s objectives through fundamental analysis, which is focused on buying and holding securities that provide steady return with relatively reduced risk.

Investors should be aware that investing in securities issued by the Fund involves risk of loss and should be prepared to bear that loss.

## *Material Risks*

Congregations considering an investment in a Fund should consider that investing in the Fund involves risks, which include (and are discussed in greater detail in the Memorandum):

*No Assurance of Investment Return:* The Fund's task of identifying and evaluating investment opportunities, managing such investments and realizing a positive return for investors is difficult. There is no assurance that the Fund will be able to invest its capital on attractive terms or generate positive returns for its investors.

*Withdrawals:* Fund members may generally withdraw from the Fund at any time. If a significant portion of the Fund's interests were redeemed at one time, the Fund would have to sell off assets to fund such redemptions. Such forced sales could force the Fund to sell its assets at reduced prices and therefore reduce the value of an interest in the Fund.

*Valuations:* The value of the securities held by the Fund determine the level of fees paid by investors. Often the Fund's investments are not publicly traded and therefore may be difficult to value. Accordingly, while we utilize third parties to value most Fund securities, Fund investors face the risk that the Fund's value may not be accurately established.

*Concentration of Investments:* Because a high percentage of the Fund's total capital may be invested in only a few types of investments, any loss across an investment type may have a significant adverse impact on the Fund's capital. In addition, the Fund is not required to diversify its investments among particular industries or regions.

*No 1940 Act Protections:* The Fund seeks to maintain its structure so as to not be required to register as investment company under the Investment Company Act of 1940 ("1940 Act") and, therefore, the Fund's investors do not have the benefit of various protections afforded by the 1940 Act.

*Government Financial Support:* Obligations of certain agencies and instrumentalities of the U.S. government are supported by the full faith and credit of the U.S. government, such as those of Ginnie Mae; others, such as those of Fannie Mae, are supported by the right of the issuer to borrow from the Treasury; others are supported only by the credit of the instrumentality. No assurance can be given that the U.S. government would provide financial support to U.S. government-sponsored agencies or instrumentalities if it is not obligated to do so by law.

*Market Value of Mortgage-Backed Securities:* Although certain mortgage-related securities are guaranteed by a third party or otherwise similarly secured, the market value of the security, which may fluctuate, is not so secured. The value of a mortgage-related security may

be lost if there is a decline in the market value of the security whether resulting from changes in interest rates or prepayments in the underlying mortgage collateral. As with other interest bearing securities, the prices of such securities are inversely affected by changes in interest rates. However, though the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since in periods of declining interest rates the mortgages underlying the securities are prone to prepayment, thereby shortening the average life of the security and shortening the period of time over which income at the higher rate is received. Conversely, when interest rates are rising, the rate of prepayment tends to decrease, thereby lengthening the average life of the security and lengthening the period of time over which income at the lower rate is received. For these and other reasons, a mortgage-related security's average maturity may be shortened or lengthened as a result of interest rate fluctuations and, therefore, it is not possible to predict accurately the security's return to the Fund. In addition, regular payments received in respect of mortgage-related securities include both interest and principal. No assurance can be given as to the return the Fund will receive when these amounts are reinvested.

*CMOs & REMICs:* Certain CMOs and REMICs are issued by private issuers and do not have the backing of any U.S. government agency, instrumentality, or sponsored enterprise.

*Freddie & Fannie:* The extreme and unprecedented volatility and disruption impacting the capital and credit markets have led to increased market concerns about Freddie Mac's and Fannie Mae's ability to withstand future credit losses associated with securities held in their investment portfolios, and on which they provide guarantees, without the direct support of the federal government. Both Freddie Mac and Fannie Mae were placed under the conservatorship of the Federal Housing Finance Agency, which has assumed control of, and generally has the power to direct, the operations of Freddie Mac and Fannie Mae. The conditions attached to the financial contribution made by the Treasury to Freddie Mac and Fannie Mae and the issuance of senior preferred stock place significant restrictions on the activities of Freddie Mac and Fannie Mae.

*Greater Default Risk:* As a result of the economic recession that commenced in the U.S. in 2008, there is a heightened risk that the receivables and loans underlying the mortgage-related securities purchased by the Fund may suffer greater levels of default than was historically experienced.

*Inflation:* Inflation may rise faster than the returns the Fund earns on its investments, which are usually fixed. Therefore, it is possible that the Fund's investments may not keep up with rising inflation.

*Interest Rate Risk:* Return rates on which the Fund could deploy its assets could increase according to the market. However, the Fund's assets may be tied up in

existing fixed investments at lower rates of return. In these instances, the Fund would not be able to obtain the best rate of return available until its existing investments mature.

## Disciplinary Information

Not applicable.

## Other Financial Industry Activities & Affiliations

We are under common control with the Zielinski Companies. While we have only one client—the Fund—many of the Fund’s investors are also customers of one or more of the Zielinski Companies, or may learn about the Fund through their relationship with one or more of the Zielinski Companies. Fund investors receive the Memorandum and other information about the Fund prior to investing, and therefore are aware of these relationships

## Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

### *Code of Ethics*

We have adopted a Code of Ethics (the “Code”), that sets out general ethical standards applicable to our employees. Our employees are expected to maintain the highest ethical standards, embody a business culture that supports actions based on what is right rather than expediency, deal fairly with customers and one another, protect confidential information and seek guidance about ethical questions. More specifically with respect to advisory activities, the Code requires that whenever we act in a fiduciary capacity, we will endeavor to consistently put the client’s interest ahead of ours. We will disclose actual and potential meaningful conflicts of interest, and we will manage actual conflicts of interest in accordance with applicable legal standards. If applicable legal standards do not permit management of the conflict, we will avoid the conflict. We will not engage in fraudulent, deceptive or manipulative conduct with respect to clients, and will act with appropriate care, skill and diligence.

Employees are expected to comply with all fiduciary standards applicable to us in performing their duties. In addition, employees must put the client’s interest ahead of their own personal interest. An employee’s fiduciary duty is a personal obligation. While advisory personnel may rely upon subordinates to perform many tasks that are part of their responsibilities, they are personally responsible for fiduciary obligations even if carried out through subordinates.

In addition to these ethical principles, the Code requires that our staff acknowledge receipt of the Code, report violations of the Code and comply with applicable federal and state securities laws. The Code also incorporates a personal securities trading policy, which is intended among other things to deter and prevent insider trading and contains requirements respecting information barriers relating to material nonpublic information, as well as restrictions on and reporting and monitoring of employees’ personal securities trading. We will provide a copy of the Code to any client or prospective client at any time upon request and without charge.

### *Participation or Interest in Client Transactions*

Our employees generally may not purchase the same securities held by the Fund, except in limited circumstances. We require that all of our supervised persons must act in accordance with all applicable federal and state regulations governing their activities in their capacities as such. Furthermore, we have adopted the Code expressing our commitment to ethical conduct and prohibiting certain types of transactions. See “Code of Ethics” above. It is our policy that no employee may prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decision of advisory clients.

## Brokerage Practices

We have discretionary authority to make the following determinations without obtaining the consent of the client before transactions are effected:

- which securities are to be bought or sold;
- the total amount of the securities to be bought or sold;
- through which brokers securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

Our authority may be subject to conditions imposed by the client, such as the Fund investment objectives and governing documents.

We generally seek “best execution” in light of the circumstances involved in transactions. In selecting a broker for any transactions, we may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. We will not obligate ourselves to obtain the lowest commission or best net price for an account on any particular transactions.

We do not aggregate orders of securities for multiple client accounts.

## Review of Accounts

The Fund's account is reviewed at least weekly by Barbara Zielinski, William Zielinski and Peggy McAllister, and may be performed more often if market conditions warrant. Fund investors receive periodic valuation statements and updates, in addition to annually audited financial statements.

## Client Referrals & Other Compensation

We do not pay any person for referrals, nor does any person pay us for referrals.

## Custody

While we do not maintain physical possession of the Fund's securities or assets, we are deemed to have custody, as such term is defined in the Investment Advisers Act of 1940 and the rules and regulations promulgated by the SEC thereunder, of the Fund's assets. Custody of client assets are maintained with a bank or brokerage firm (each a "Custodian") selected by us in our exclusive discretion, which selection may change from time to time. The Custodian provides Fund investors with quarterly statements, and we urge Fund investors to carefully review those statements and compare them to any statements we provide Fund investors.

## Investment Discretion

Under the Agreement with the Fund, we have discretionary authority to manage the Fund's assets. Our exercise of that authority is subject to the oversight of the Fund's board of directors, any objectives and strategies discussed in the Memorandum, and the Fund's governing documents.

## Voting Client Securities

Because of the nature of the securities held by the Fund, we do not vote proxies for any client. We have adopted policies governing any potential proxy voting, which policies are available to Fund investors by contacting us at the number provided on the cover of this Disclosure Brochure.

Those policies generally provide that we will vote any proxies in our clients' interests, and that if we identify a conflict of interest between us and the client, we will, depending on the nature of the conflict, either (i) obtain the client's consent to vote or direct us to vote after disclosure of any potential conflict, (ii) vote based upon a third party's recommendation, or (iii) request that the client engage a third party to determine how the proxy should be voted. Those procedures also provide that clients may request records of how we voted any proxies or discuss any particular solicitation by contacting our Chief Compliance Officer at our main number on the cover of this Disclosure Brochure.

## Financial Information

Not applicable.