

Part 2A of Form ADV: *Firm Brochure*

Investment Advisory Services, Inc.

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03/1/2015

This brochure provides information about the qualifications and business practices of Investment Advisory Services, Inc. If you have any questions about the contents of this brochure, please contact us at 281-364-0606 or cj@iastexas.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 Investment Advisory Services, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our Firm's CRD number is 112486.

Item 2 Material Changes

This Firm Brochure, dated 03/1/2015, provides you with a summary of Investment Advisory Services, Inc.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information and any revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our Firm's fiscal year end (FYE) of December 31.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to our clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

Since publication of our Firm Brochure dated 03/26/2013, there are no material changes to report.

As of 1/1/2015 CJ Haynes assumed the position of Chief Compliance Officer.

Contact Information:

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Chief Compliance Officer
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Item 4 Advisory Business

Investment Advisory Services, Inc. is a SEC registered investment adviser with its principal place of business located in Texas. Investment Advisory Services, Inc. began conducting business in 1994. John Lester Haynes is the founder and sole shareholder of IAS.

Investment Advisory Services, Inc. offers the following advisory services to our clients:

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

Our Firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we jointly develop a client's personal investment strategy and create and manage a portfolio based on that strategy. During our data gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., capital preservation, current income, income and growth, or long term growth) as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors by providing written instructions.

Our investment recommendations are not limited to any specific product or service offered by a broker/dealer or insurance company and will generally include advice regarding the following securities:

- Exchange listed securities
- Securities traded over the counter
- Foreign issuers
- Warrants
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- Exchange traded funds (ETFs), MLPs, and REITs

- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Our Firm generally provides investment management through the application of a personalized portfolio strategy comprised of five steps:

Step One:

Complete a confidential client profile, determining the client's risk tolerances and investment goals. We find that most client needs fall into one of the following investment objectives: capital preservation, current income, income & growth, or long term growth.

Step Two:

Determine asset allocation policy to match objectives.

Step Three:

Diversify among asset classes and styles, selecting the securities to be purchased and effecting the buys.

Step Four:

Rebalance portfolios to asset allocation guidelines as needed.

Step Five:

Report quarterly results. The "Current Statement of Holdings" lists each asset in the portfolio priced at market value as of the most recent quarter end. The "Performance Summary" indicates the portfolio's performance for the quarter and year to date. Only actual performance numbers are reported. No projections of future performance are made.

We will on occasion provide non-discretionary investment advice through consultation. The terms and services provided by us to the Client will be disclosed in the Investment Consultation Agreement.

AMOUNT OF MANAGED ASSETS

As of 12/31/2014, we have regulatory assets under management of \$219,721,398.

Item 5 Fees and Compensation

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES

The annualized fee for Investment Supervisory Services is charged as a percentage of assets under management, according to the following schedule:

Assets Under Management**Annual Fee****Diversified Portfolios**

\$0 to \$1,000,000	1.00%
\$1,000,000.01 to \$2,000,000	0.90%
\$2,000,000.01 or greater	____% (Negotiable)

Limited-Maturity Fixed-Income Portfolios

\$0.00 to \$1,000,000.00	0.60%
\$1,000,000.01 to \$2,000,000	0.50%
Over \$2,000,000	____% (Negotiable)

Management fees are payable in advance on a quarterly basis by multiplying the assets under management by the relevant annualized percent and dividing such product by four (4). Accounts opened in mid quarter may be assessed a prorated management fee. Fees may be deducted from the client's account(s) within thirty (30) days from the beginning of the quarter for which said fees will be incurred. Management fees for diversified portfolios are calculated on a different schedule than limited maturity fixed income portfolios. Diversified portfolios include both equity and debt securities. Limited maturity fixed income portfolios include only debt securities generally with maturities of two years or less.

In order to qualify for the investment management services of our Firm, an account should generally have at least \$250,000 in marketable securities or cash. Exceptions to this minimum may occur when both the Firm and a potential client deem such a relationship beneficial.

The Investment Management Agreement and Investment Consultation Agreement are effective upon the date of signing. The Agreements shall be for one year in duration from the date of acceptance by both parties to this contract and automatically renewed for additional one year terms unless terminated prior thereto as indicated under "Termination of the Advisory Relationship." The fee for non-discretionary investment advice will be at an hourly rate of \$200 with an annual minimum charge of \$2,500.

Limited Negotiability of Advisory Fees: Although Investment Advisory Services, Inc. has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client by client basis. Client facts, circumstances, and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our Firm.

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Notwithstanding the above, if the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory or consultation contract with us, then the client has the right to terminate the relationship contract without penalty within five (5) business days after entering into the contract. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid unearned fees will be refunded within 10 days. In calculating the reimbursement of fees to a client, we will pro rate the reimbursement according to the number of days remaining in the billing period.

Mutual Fund Fees: All fees paid to Investment Advisory Services, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. Mutual fund and ETF fees and expenses are described in their prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our Firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Our Firm considers the cost of a mutual fund to be an important variable in the selection process. On certain mutual funds, we will have access to share classes which may have lower costs than a share class an individual could purchase directly. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Grandfathering of Adviser Fees: Pre-existing advisory clients are subject to Investment Advisory Services, Inc.'s advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our Firm's advisory fees will differ among clients.

ERISA Accounts: Investment Advisory Services, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or rollover individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our Firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Investment Advisory Services, Inc. does not receive any commissions or 12b-1 fees.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

Item 6 Performance Based Fees and Side By Side Management

Investment Advisory Services, Inc. does not charge performance based fees.

Item 7 Types of Clients

Investment Advisory Services, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Trusts
- Estates

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Charting. In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is under- priced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis. We analyze past market movements and apply that analysis to the

present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis. In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

Our Firm manages client accounts on an individualized basis.

Any investment strategies used in managing client accounts will be based on the needs of each client and consistent with our understanding of a client's investment objectives, risk tolerance, and time horizon among other considerations.

We attempt to minimize risk through appropriate diversification between stocks, fixed income, cash, real assets (such as real estate and commodity related positions), and other assets.

We maintain a selection process for identifying, holding, and selling individual stocks. In addition, exposure to stocks will occur through the holdings of mutual funds and/or exchange traded funds (ETFs) that are based on our research and selection.

Fixed income holdings and mutual funds that hold fixed income will be positioned taking into consideration credit and interest rate risk among other factors.

Our Firm will generally look to hold positions for the long term (one year or longer) but will sell or reduce holdings when appropriate based on valuation, adjustments to portfolio allocation, opportunity to add portfolio tax efficiency, or fundamental changes that affect the position.

We do not have an investment philosophy nor do we generally make investment decisions based on short term purchases or trading. In addition, we do not utilize strategies based on leverage of risk through the use of margin transactions whereby a portfolio can purchase more stock than the available cash would allow.

Risk of Loss. While our Firm seeks to "preserve and grow" our clients' assets, investment securities are not guaranteed and you may lose money on your investments. We ask that clients work with us to help us understand their tolerance for risk.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our Firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Our Firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our Firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Investment Advisory Services, Inc. and our personnel owe a duty of loyalty, fairness, and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Our Code also provides for oversight, enforcement, and record keeping provisions.

Investment Advisory Services, Inc.'s Code of Ethics further includes the Firm's policy prohibiting the use of material non- public information. While we do not believe that we have any particular access to non- public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to: cj@iastexas.com or by calling us at 281-364-0606.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our Firm and/or individuals associated with our Firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. However, associated persons are required to obtain prior approval for the purchase and/or sale of all securities executed for such associated persons. Any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participants will receive an average share price. In the instances where there is a partial fill of a particular aggregated order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

Personal securities transactions by our associated personnel are subject to the following provisions:

1. Any associated person who trades on the same day as our clients and at the same custodian must have all trades aggregated with client orders and receive the average pricing.
2. Pre-clearance must be obtained for all reportable securities transactions on the same day as the transaction is completed.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our Firm's Code of Ethics, to ensure our Firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our Firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our Firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our Firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our Firm does not allow related persons to participate in any IPO or private placement investments.
5. We maintain a list of all reportable securities holdings for our Firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our Firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our Firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and

State regulations governing registered investment advisory practices.

9. We require delivery and acknowledgment of the Code of Ethics by each supervised person of our Firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

Item 12 Brokerage Practices

For discretionary clients, Investment Advisory Services, Inc. requires these clients to provide us with written authority to execute trades on their behalf with the custodian and the commission costs that will be charged to these clients for transactions.

These clients must include any limitations on this discretionary authority in the written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Investment Advisory Services, Inc. will aggregate trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities for multiple client accounts.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Investment Advisory Services, Inc. will typically aggregate trades among clients whose accounts are traded at a given broker. Investment Advisory Services, Inc.'s block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Investment Advisory Services, Inc., or our Firm's order allocation policy.
2. The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will benefit and will enable Investment Advisory Services, Inc. to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution as well as the best net price.
4. Prior to entry of an aggregated order, a written order ticket must be completed which

identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro-rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro-rata allocation may be made to avoid having odd amounts of shares held in any client account or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client or a fee schedule based on assets held at the custodian.
7. If the order is allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
8. Investment Advisory Services, Inc.'s client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by and bought and sold for that account.
9. Funds and securities for aggregated orders are clearly identified on Investment Advisory Services, Inc.'s records and to the broker/dealers or other intermediaries handling the transactions by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

As a matter of policy and practice, Investment Advisory Services, Inc. may accept directed brokerage from clients. Clients should be aware that when we facilitate a client's request to direct their brokerage, our Firm does not generally block the client directed brokerage trades; and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others and at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisory client's who do not direct brokerage and participate in blocked client trades.

Investment Advisory Services, Inc. has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides our Firm with their "institutional platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping, and related services. These services are intended to support intermediaries like Investment Advisory Services, Inc. in conducting business and in serving the best interests of clients. However, they may also benefit Investment Advisory Services, Inc. Fidelity's

institutional platform services that assist us in managing and administering clients' accounts include software and other technology that: (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing, and other market data; (iv) facilitate payment of fees from clients' accounts; and (v) assist with back office functions, record keeping, and client reporting.

Fidelity also offers other services intended to help our Firm manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants, and other third party service providers who provide a wide array of business related services and technology with whom Investment Advisory Services, Inc. may contract directly.

Fidelity generally does not charge its advisory clients separately for custody services but is compensated by account holders through commissions and other transaction related or asset based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no load mutual funds, and commissions are charged for individual equity and debt securities transactions). Fidelity provides access to Investment Advisory Services, Inc. to obtain many no load mutual funds without transaction charges and other no load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker/dealers. As part of the arrangement, Fidelity also makes available to our Firm at no additional charge to us certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies as selected by Investment Advisory Services, Inc. (within specified parameters). These research and brokerage services presently include services such as S&P stock research, Fidelity's Market Analysis, Research and Education group (MARE), and Fidelity's WealthCentral which are used by our Firm to manage accounts for which we have investment discretion.

Investment Advisory Services, Inc. may also receive additional services which may include tools like Fidelity's Retirement Income Analyzer. Without this arrangement, we might be compelled to purchase the same or similar services at our own expense.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of Investment Advisory Services, Inc.'s clients and satisfies our client obligations including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker/dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker/dealer's services including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while Investment Advisory Services,

Inc. will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Investment Advisory Services, Inc. and Fidelity are not affiliated.

Item 13 Review of Accounts

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. The client is responsible for communicating his/her needs, goals, and objectives to the Firm in a timely manner and to alert us to any changes in their needs, goals, and objectives. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political, or economic environment.

These accounts are reviewed by: John Haynes and/or Kent Samuel.

REPORTS: In addition to the monthly statements and confirmations of transactions that clients receive from their broker/dealer, we provide quarterly reports summarizing account performance, balances, and holdings.

Item 14 Client Referrals and Other Compensation

It is Investment Advisory Services, Inc.'s policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our Firm.

It is Investment Advisory Services, Inc.'s policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards, or other prizes from a non-client in conjunction with the advisory services we provide to our clients.

Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our Firm directly debits advisory fees from client accounts. The client has the responsibility to direct which account(s) the fee will be charged. There may be certain tax consequences that occur as a result of this decision and a client should discuss any tax consequences with their tax adviser.

Payment of our management fees may be made by the custodian holding the client's funds

and securities only when all three of the following criteria are met:

1. The client provides us with written authorization permitting their fees to be paid directly from his/her account that are held by the custodian;
2. The Firm sends the client an invoice showing the fee amount due, the value on which the fee was calculated, and the method of calculation;
3. The custodian sends a statement to the client at least quarterly indicating the advisory fees that were paid directly as well as any other disbursements from the account.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings, and values are correct and current.

Our Firm does not and will not have actual or constructive custody of client funds or securities.

Item 16 Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. We place trades through a custodian by virtue of a limited power of attorney, solely allowing trade authority. On an exception basis, clients can grant the Firm authority to transfer funds to another account for the same client. At no time may the Firm or its personnel withdraw funds to itself or to a third party with the exception of management fees as outlined in Item 15.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary investment authority when they sign a discretionary agreement with our Firm, and may limit this authority by giving us written instructions. Clients may also change or amend such limitations by once again providing us with written instructions.

Individual trades are usually executed through the client's custodian for their discounted

commissions, ease of clearing, and for the speed and accuracy of trading information. To the extent that other broker/dealers may offer better executions, trades may be executed elsewhere on an exception basis.

Item 17 Voting Client Securities

As a matter of Firm policy, we do not vote proxies on behalf of clients. Therefore, although our Firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

Item 18 Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Investment Advisory Services, Inc. has no additional financial circumstances to report.

Investment Advisory Services, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.