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Item 1      Cover Page

SEC File #801-14337

American Investment Services, Inc.  
Form ADV Part 2A ("Brochure")  
250 Division Street  
Great Barrington, MA 01230  
Attn: John L. Barry, President & CEO  
[www.americaninvestment.com](http://www.americaninvestment.com)  
March 31, 2012

**This Brochure provides information about the qualifications and business practices of American Investment Services, Inc. ("AIS"), an investment adviser registered under the federal Investment Advisers Act of 1940. If you have any questions about the contents of this Brochure, please contact us at 888-528-1216 and/or [aisinfo@americaninvestment.com](mailto:aisinfo@americaninvestment.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

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

AIS' registration with the SEC does not imply a certain level of skill or training.

## Item 2      Summary of Material Changes

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The following material changes have occurred since March 2011, the date when we last updated our Form ADV, Part 2, disclosure statement provided to clients.

AIS Directors Richard W. Brewer and Latimer B. Eddy did not stand for reappointment. Neil D. Holden and Gerald E. Sohan were appointed as new Directors.

American Investment Services, Inc.  
Form ADV Part 2A  
March 31, 2012

Item 3 Table of Contents

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Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents.....	3
Item 4	Advisory Business.....	4
Item 5	Fees and Compensation.....	6
Item 6	Performance-Based Fees and Side-by-Side Management.....	11
Item 7	Types of Clients .....	11
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9	Disciplinary Information.....	14
Item 10	Other Financial Industry Activities and Affiliations.....	14
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	15
Item 12	Brokerage Practices .....	16
Item 13	Review of Accounts.....	17
Item 14	Client Referrals and Other Compensation .....	18
Item 15	Custody .....	18
Item 16	Investment Discretion.....	19
Item 17	Voting Client Securities .....	19
Item 18	Financial Information .....	19
Part 2B	Our Investment Advisory Team Members.....	20

## Item 4      Advisory Business

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### Our Firm's History

American Investment Services, Inc. ("AIS") is a Delaware corporation organized in 1978. Since its formation, AIS has been a wholly-owned subsidiary of the American Institute for Economic Research ("AIER"), a not-for-profit scientific and research organization founded in 1933. AIER established AIS to manage certain trust assets contributed to AIER and to provide investment advice and information to public investors that is consistent with AIER's mission, research findings and methodology.

We carry out this mission by providing individuals, corporations and institutional investors (including AIER) with investment management and advisory services and through the sale of investment publications. AIS is governed by a Board of Directors appointed by the Trustees of AIER.

### Principal Executive and Advisory Personnel

John L. Barry, President and Chief Executive Officer  
Seth L. Hoffman, Vice President and Chief Compliance Officer  
Charles D. Murphy, Vice President and Chief Financial Officer  
Bobo Nge, Senior Research Analyst  
Matthew J. Svirida, Vice President and Chief Operating Officer  
David F. St. Peter, Portfolio Operations Manager and Corporate Secretary  
Mackenzie W. Waggaman, Vice President

### Board of Directors

Gregory van Kipnis, Chairman  
Frederick C. Harwood  
Neil D. Holden  
Gerald E. Sohan

***Descriptions of the educational backgrounds and employment histories of AIS's advisory personnel appear at the end of this Brochure.***

### Assets Under Management

As of February 29, 2012, we managed client portfolios representing approximately \$526 million in financial assets for 310 clients who have established 907 individual accounts with us. Of these assets approximately 62% were managed on behalf of individual clients (including their trusts and their qualified plans) and 38% were managed on behalf of corporate or other institutional clients, including non-profit or non-profit endowments, of which 72% were managed on behalf of the charitable giving program of our parent AIER. All of these assets are managed on a discretionary basis for clients who have engaged us for ongoing advisory services with respect on their investment portfolios.

Non-Participation in Wrap Fee Programs

As a matter of firm policy AIS does not sponsor any wrap fee programs. A wrap fee program is an advisory program under which a specified fee not based directly on transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

About Our Services Generally

AIS advice and recommendations offered through investment services and publications can be described as **structured, passive asset allocation**. This approach to investment management is based on the major tenets of Modern Portfolio Theory ("MPT") and holds that capital markets are highly efficient at pricing securities, and that investors are rewarded with return for accepting risk. Investment allocations in our portfolio management services are based on our understanding of client objectives and needs, and are individually tailored for each account. Recommendations provided in our publications are of a more general nature and are not intended as client specific recommendations.

Specific Advisory Programs (Types of Services) Offered

AIS offers three programs to clients:

- The Professional Asset Management Program ("PAM")
- The High-Yield Dow Program ("HYD")
- 3The Portfolio Allocation Service ("PAS")

Each of these programs is described in further detail under Item 5 of this Brochure.

In addition AIS publishes a monthly publication, *Investment Guide*, and offers non-discretionary consulting services to the sponsors of 401(k) and other company-sponsored retirement plans.

While AIS advisory staff is familiar with financial planning, including estate and income tax issues, we are strictly investment advisors and not financial planners, lawyers, or accountants. We may take tax issues into consideration when implementing our investment strategy and recommending specific investment vehicles. However, we recommend that clients and prospective clients consult a financial planner, legal counsel, or tax expert for broader tax and planning matters.

## Item 5 Fees and Compensation

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### **Discretionary Advisory Services**

#### **Professional Asset Management ("PAM")**

PAM is a discretionary investment advisory service for an entire portfolio. This service is designed for clients who embrace structured low-cost, personalized asset management but who do not wish to participate in managing their own portfolios. The program provides ongoing investment advisory services. PAM is generally open to all investors, though AIS generally requires a minimum investment of \$100,000 for new clients. Accounts may be combined to meet that total.

Generally PAM clients receive the following:

- Development and implementation of a client specific investment plan, based on the advisor's understanding of the client's unique circumstances and needs. Plans are updated as needed when the client circumstances change. This recommendation report will include our plan for liquidation of existing securities (taking into account tax and other consequences).
- Quarterly reports, which include portfolio holdings by asset class, and total returns versus appropriate benchmarks (from inception and for various time periods).
- Monthly or quarterly statements provided directly by from an independent third-party custodian that holds the client's assets.
- Portfolio reviews, no less frequently than once per calendar quarter, to include portfolio rebalancing if warranted.
- The benefits of ongoing AIS research and analysis of available investment vehicles and alternatives, and other matters that may affect clients.
- Access to mutual fund products from Dimensional Fund Advisors (DFA), which are not available to retail investors and are only available through selected DFA-approved advisors.
- A complimentary subscription to the monthly AIS *Investment Guide*.

## PAM Fee Schedule

The management fee is a tiered, cumulative structure based on assets under management ("AUM"), generally per the following schedule:

AIS Professional Asset Management Fee Tiers		
Minimum Annual Fee is \$1,500		
Tier	Applies to AUM	Annual Fee
1	\$100,000 - \$250,000	0.80% of AUM or \$1,500, whichever is greater
2	\$250,001 - \$500,000	Tier 1 maximum fee plus 0.55% of AUM in Tier 2
3	\$500,001 - \$1,000,000	Tier 2 maximum fee plus 0.25% of AUM in Tier 3
4	\$1,000,001 - \$1,800,000	Tier 3 maximum fee plus 0.10% of AUM in Tier 4
5	\$1,800,001 - \$10,000,000	Flat 0.30% of total AUM
6	\$10,000,001 - \$20,000,000	Tier 5 maximum fee plus 0.25% of AUM in Tier 6
7	\$20,000,001 - \$150,000,000	Flat 0.275% of total AUM
8	Over \$150,000,000	Tier 7 maximum fee plus 0.15% of AUM in Tier 8

AUM may be combined by household (or other aggregation with our agreement). The actual fee is calculated and billed quarterly in arrears. For accounts in which the minimum fee applies the minimum fee of \$1,500 per year is in effect a fixed fee.

## High-Yield Dow ("HYD")

HYD is a discretionary investment advisory service designed to replicate the returns of a domestic large cap value model portfolio – the *high-yield Dow* ("HYD") Model developed by AIER. The HYD model is generally fully "invested" in a subset of those stocks that comprise the Dow Jones Industrial Average (DJIA). The HYD model portfolio follows a rules-based "four for 18-month" strategy based on relative dividend yield. From time-to-time the portfolio will include spin-offs of DJIA components or stocks that are no longer part of the DJIA and un-reinvested cash from dividends. Individual accounts will also hold adequate cash to cover brokerage costs and AIS management fees (if the client authorizes AIS to deduct fees). The program provides ongoing investment advisory services. HYD is generally open to all investors though AIS recommends a minimum investment of \$150,000 for new individual accounts and reserves the right to determine if the service is appropriate for each individual.

Generally HYD clients receive the following:

- Quarterly reports, which include portfolio holdings by asset class, and total returns versus appropriate benchmarks (from inception and for various time periods).
- Monthly or quarterly statements provided directly by an independent third-party custodian that holds the client's assets.
- Monthly portfolio reviews and rebalancing to keep the portfolio in line with our model target allocations.
- The benefits of ongoing AIS research and analysis of available investment vehicles and alternatives, and other matters that may affect clients.
- A complimentary subscription to the monthly AIS *Investment Guide*.

## HYD Fee Schedule

The management fee is a tiered, cumulative structure based on assets under management (AUM), generally per the following schedule:

AIS High Yield Dow Fee Tiers		
Minimum Annual Fee is \$1,350		
Tier	Applies to AUM	Annual Fee
1	\$100,000 - \$250,000	0.70% of account or \$1,350, whichever is greater
2	\$250,001 - \$500,000	Tier 1 maximum fee plus 0.40% of AUM in Tier 2
3	\$500,001 - \$1,000,000	Tier 2 maximum fee plus 0.25% of AUM in Tier 3
4	\$1,000,001 - \$1,500,000	Tier 3 maximum fee plus 0.10% of AUM in Tier 4
5	\$1,500,001 - \$10,000,000	Flat 0.30% of total AUM
6	\$10,000,001 - \$20,000,000	Tier 5 maximum fee plus 0.25% of AUM in Tier 6
7	\$20,000,001 - \$150,000,000	Flat 0.275% of AUM
8	Over \$150,000,000	Tier 7 maximum fee plus 0.15% of AUM in Tier 8

AUM may be combined by household (or other aggregation with our agreement). The actual fee is calculated and billed quarterly in arrears. For accounts in which the minimum fee applies, the minimum fee of \$1,350 per year is in effect a fixed fee.

## Portfolio Allocation Service ("PAS")

PAS is a discretionary investment advisory service for investors with smaller accounts who cannot be serviced through our more personalized PAM program in a cost-effective manner. PAS is generally open to all investors, though AIS generally requires a minimum investment of \$50,000 for new clients. This service is for single accounts only (i.e., accounts cannot be aggregated and will be managed to models on an individual account basis).

Generally PAS clients receive the following:

- Selection of one of five "model portfolios" designed for investors with varying degrees of risk tolerance ranging from an aggressive all-equity portfolio to a conservative all fixed income portfolio.
- Annual reports, which include portfolio holdings by asset class, and total returns versus appropriate benchmarks (from inception and for various time periods).
- Monthly or quarterly statements provided directly from an independent third-party custodian which holds the client investments.
- Portfolio reviews no less than once per calendar year, to include portfolio rebalancing as necessary;
- The benefits of ongoing AIS research and analysis of available investment products and alternatives, and other matters that may affect clients.
- Access to mutual fund products from Dimensional Fund Advisors (DFA), which are not available to retail investors and are only available through selected DFA-approved advisors.



- A complimentary subscription to the monthly *AIS Investment Guide*

**PAS Fee:** The management fee is a flat 0.75% of assets under management

#### **How Fees Are Paid**

Fees may be deducted from client's accounts, or paid directly by check or credit card by the client following receipt of an invoice, or any combination of these payment methods. Fees for partial quarters will be prorated based on the number of days during the quarter during which the account agreement was in effect. AIS guarantees to refund, on a pro-rata basis, any prepayments for services canceled and not yet provided to clients or subscribers.

#### **Other Fees or Expenses Paid to Third Parties in Connection with Advisory Services**

Fees paid to AIS for investment advisory services are separate and distinct from fees and expenses charged by clients to third-party product providers. These include fees and expenses charged by mutual funds and exchange traded funds to their shareholders, and brokerage and custody related costs paid to the custodian.

For the portions of their account invested in mutual funds or exchange trade funds, clients will, in effect, pay two advisory fees, one to AIS for selecting each vehicle and one to the fund's advisors. Mutual fund expenses are generally described in each fund's prospectus. These expenses will generally include a management fee, other fund expenses, and in rare instances a redemption fee.

Clients will incur transaction fees or commissions in connection with the trading of mutual funds, Exchange Traded Funds (ETFs), individual stocks and bonds, these fees are charged by the clients' Brokers and Custodians. Mutual fund transactions fees charged by our recommended Brokers/Custodians (Schwab Institutional, Fidelity Investments, and TD Ameritrade) currently range from \$20.00 to \$49.95 per trade depending on the dollar amount of the trade. Commissions for equity trades also vary from custodian to custodian, but are generally between \$7.95 and \$16.95 depending on the client's total household assets custodied and the lot size of the trade. Each Broker/Custodian also has an individual schedule for individual bond trades and may also include a "spread" in their pricing.

Additional fees may be charged by custodians for cash management such as wire transfers, account transfers and closures, or other services. These fee schedules are available from the Broker/Custodian.

#### **Comparable Services**

AIS believes that the total charges and fees associated with its programs are competitive with available alternatives offering similar services. However, lower fees for comparable services may be available. Investors can invest directly in our recommended portfolios without the assistance of an advisor. Such clients would not receive the benefit of professional advice. Advice include selection of investment vehicles appropriate for each client's financial circumstances, objectives, and needs, the assistance to undertake a disciplined approach to portfolio rebalancing while considering the tax implications of each transaction and to avoid emotional reactions to systemic market events. Additionally, fund products from Dimensional Fund Advisors ("DFA") are not available directly to retail investors and may be purchased only through a relationship with a qualified investment advisor.

## **Non-Discretionary Services and Publications**

### **Investment Guide**

AIS publishes the *Investment Guide* monthly. Each issue reports on developments in modern portfolio theory and implications for individual investors. Additional investment-related topics include taxation, financial planning, and innovations in capital markets. Four times a year a "Quarterly Review of Investment Policy" is presented with recommended investment allocations for individuals of varying risk profiles. Each issue includes a recommended list of no-load, low-cost index type investment vehicles appropriate to for each asset class. These vehicles are screened to meet AIS criterion with respect to expenses, turnover ratios, diversification and ability to deliver the returns of their respective asset class.

The present cost of subscription is \$59.00/year for print subscriptions and \$49.00/year for electronic subscriptions. AIS may offer discounted subscription offers from time-to-time.

### **Retirement Plan Consulting Services**

AIS serves as consultant to sponsors of qualified retirement plans. AIS provides recommendations regarding investment options and service providers such as custodians, third party administrators and record keepers. Services may also include drafting a plan Investment Policy Statement, providing annual participant education, and preparing reports to plan sponsors. Fees are based on a percentage of plan assets per our PAM fee schedule.

### **Conflicts of Interest**

AIS offers services on a non-exclusive basis. AIS seeks to avoid situations where one client's interest may conflict with the interests of other clients or with AIS.

All clients and prospective clients should be aware of the following with respect to AIS and our parent AIER:

- AIER, through its charitable giving programs, is AIS's largest advisory client
- AIS may manage investment accounts for AIS's Directors and Employees and AIER Trustees
- The AIS Board of Directors approves the compensation of AIS employees
- The AIS Board of Directors (who are appointed by AIER's Trustees) declares any dividends paid to AIER, as sole shareholder of AIS

If any of the relationships described above give rise to a conflict of interest, AIS intends to put the interests of its other clients first and to make prompt disclosure of the conflict to all affected parties.

AIS reserves the right to refuse service to any potential client if, based on our judgment, our service(s) is not appropriate for the client.

## Item 6 Performance-Based Fees and Side-by-Side Management

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AIS does not charge performance-based fees, nor does it manage accounts which impose performance-based fees.

## Item 7 Types of Clients

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AIS provides investment advice to individuals and trusts, including high net worth individuals and trusts, qualified retirement plan sponsors, endowments, organizations, institutions and other businesses entities. The minimum account size is generally \$50,000 for the PAS service, \$100,000 for the PAM service and \$150,000 for the HYD service.

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

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### Methods of Analysis

#### **Generally**

Our investment strategy is based on a wide body of empirical academic research and historical market data that embodies the major tenets of Modern Portfolio Theory ("MPT"), as articulated by the work of Harry Markowitz (the Capital Asset Pricing Model), Eugene Fama, Sr. (Efficient Market Hypothesis), Fama and Kenneth French (three-factor regression), and William Sharpe (the Arithmetic of Active Management). AIS also incorporates research, based on the work of AIER founder E.C. Harwood, on monetary theory, inflation, and gold-related assets as an alternative to fiat currency.

Our approach to the capital markets relies on several key principles:

- 1) Markets are efficient. Companies compete with each other for investment capital and investors compete for attractive returns. This competition quickly drives prices to *fair value* in the "collective judgment" of all market participants, and ensures that no investor can consistently expect greater return without bearing greater risk.
- 2) All investors, in the aggregate, can expect the market rate of return less expenses.
- 3) *Idiosyncratic risk*, or the risks posed by holding individual stocks or sectors, can be diversified away through comprehensive global portfolio diversification. *Systemic risk* cannot be diversified away. Therefore investors willing to accept more systemic risk expect to be rewarded with prospects for higher return. Investors can mitigate this risk by adding more stable assets such as short-term bonds and cash.
- 4) Equity returns can be explained by exposure three risk factors – the risk of the market (or Beta), exposure to small capitalization stocks and exposure to value stocks (measured by book-to-market or dividend yield). "Tilting" an "all-market" portfolio toward either of the other two factors will increase expected returns.
- 5) The returns on fixed income are determined by the portfolios exposure to term and credit risk.

- 6) Gold and gold-related assets represent a form of money that cannot be destroyed, and therefore, if held in a portion of a portfolio can provide a form of portfolio insurance.

These principles tell us that in a globally diversified portfolio, asset allocation decisions and portfolio structure, rather than market timing or individual stock selection determine portfolio returns. Within this framework the most important factors that determine success are an appropriate understanding of investor's risk preference and the control of all investment-related costs (i.e., expenses and taxes).

### **Sources of Information**

AIS relies heavily on information provided by clients pertaining to their financial situation, investment objectives, time horizon, liquidity requirements, tax sensitivity, estate plans and other factors. This information forms the foundation of an asset allocation plan designed to meet each client's goals and is formalized in an Investment Policy Statement ("IPS"). The IPS is a communication tool that is revised as the clients' circumstances and objectives change.

AIS relies on internal research, and on research provided in collaboration with financial economists employed by AIER. AIS also employs commercially available software (such as Morningstar and Ibbotson), securities rating services and other public sources of information.

AIS also receives research and consulting services from Dimensional Fund Advisors ("DFA"), Vanguard, iShares, and State Street Global Advisors. DFA provides historical market data and computer programs. AIS uses this information to model historical and expected returns – and to conduct probabilistic forecasting (i.e., Monte Carlo simulation).

### **Types of Investments**

AIS generally builds portfolios of no-load equity and bond mutual funds and ETFs. AIS typically recommends passively managed funds managed by DFA, iShares and Vanguard. These funds provide broad diversification and low turnover which reduces fund management expenses incurred by fund shareholders.

In larger accounts AIS may utilize the High-Yield Dow investment strategy (i.e., individual U.S. large-cap value securities), individual Real Estate Investment Trust (REIT) securities, individual utility securities, and individual fixed income instruments. AIS also invests client portfolios in individual gold mining company stocks and gold bullion-backed exchange traded funds.

Portfolios may also include individual equity or fixed income securities that are not included in any of the strategies described. These are exceptions and are usually "legacy" positions that a client may have purchased prior to working with AIS. They may be held because of tax considerations, or for other client specific reasons.

AIS will generally develop a plan in consultation with the client for the liquidation of non-recommended positions. If a client wishes to maintain non-recommended securities and not include them in their portfolio plan AIS may, after discussion with the client, exclude them from our management fee and performance calculations. In such situations AIS reports will clearly state that the positions are "unsupervised" and that AIS is not responsible for their management.

American Investment Services, Inc.  
Form ADV Part 2A  
March 31, 2012

AIS will also review existing variable annuities for prospective clients and may recommend that clients transfer their existing annuities to low-cost, no-load variable or fixed annuities when appropriate. If appropriate AIS will manage these annuities as part of the client's overall asset allocation plans.

Risk of Loss, Generally

Investing in securities involves a risk of loss that clients should be prepared to bear. The investment recommendations seek to limit risk through global diversification and both within and across asset classes, including global and fixed income securities.

Diversification can minimize portfolio volatility, but will not eliminate the possibility of declines in portfolio values, which can be severe at times. AIS believe that investors will be rewarded with higher expected returns (relative to the entire market) by increasing exposure to the risks inherent in small cap and value stocks. Additionally, an allocation to gold-related assets has provided portfolio protection in times of extreme market instability.

Specific types of Risk:

**Market Risk:** Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer specific events will cause the value of securities, and the funds that own them, to rise or fall. The value of even a well-diversified portfolio will fluctuate and there is a risk that investors will lose money.

**Foreign Securities and Currencies Risk:** Foreign securities prices may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or less liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

**Small Company Risk:** Securities of small companies are often less liquid than those of large companies which can make it difficult to execute trades in a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments as they may have more limited resources.

**Value Investment Risk:** Value stocks may perform differently from the market as a whole. Following a value oriented investment strategy may cause the Portfolio to, at times, underperform equity funds that use other investment strategies. **This risk may be more pronounced within the high-yield Dow strategy, which is less diversified than most large cap value indexing strategies.**

**Emerging Markets Risk:** Numerous emerging market countries have a history of, and continue to experience economic and political disruption. Stock markets in many emerging market countries are relatively small, expensive to trade in, and risky. Foreigners are often limited in their ability to invest in, and withdraw assets from these markets. Additional restrictions may be imposed under other conditions. Frontier market countries generally have smaller economies or less developed capital markets. As a result, the risks of investing in emerging market countries are magnified in frontier market countries.

**Derivatives:** Derivatives are securities, such as futures contracts, whose value is derived from that of other securities or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Derivative securities are subject to a number of risks including liquidity, interest rate, market, credit and management risks, and the risk of improper valuation.

**Securities Lending:** Securities lending involves the risk that the borrower may fail to return the lender's securities, or fail to do so in a timely manner. As a result, mutual funds which lend securities may lose money and there may be a delay in recovering the loaned securities.

**Interest Rate Risk:** Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to these price changes versus fixed income securities with shorter maturities.

**Credit Risk:** Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact fixed income performance.

**Inflation Risk:** To the extent that cash balances are maintained assets may be subject to the risk of inflation and loss of purchasing power when adjusted for inflation.

## Item 9      Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events relating to their firm or certain management personnel which would be material to clients' evaluation of the firm and its ability to manage the clients' investment portfolios.

AIS has had no legal or disciplinary events which are required to be disclosed.

## Item 10      Other Financial Industry Activities and Affiliations

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AIS is **not** registered (nor does it have any applications pending) as a securities broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser, municipal or government securities dealer or broker.

AIS **does not** have any relationships or financial arrangements that involve any of the following:

- Investment company or other pooled investment vehicle, including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," or offshore fund;
- Other investment advisor or financial planner;
- Banking or thrift institution;
- Lawyer or law firm;
- Insurance company or agency;

- Pension consultant;
- Real estate broker or dealer;

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

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### A. AIS Code of Ethics

AIS has adopted a Code of Ethics to which all investment advisor representatives, employees and supervised persons are bound to adhere. The code's principles and policies are designed to emphasize the fiduciary duty to clients required by all AIS employees and directors. In addition these same principles and policies detail the process for compliance with applicable laws such as insider trading and anti-money laundering.

The goals of the AIS code of Ethics are to protect the firm's clients and the firm's reputation. The Code of Ethics includes the following general principles:

- AIS employees will at all times place the interest of their clients before all others;
- AIS employees will conduct personal securities transactions in a manner that avoids any conflict of interest or abuse of position or trust;
- AIS employees will safeguard the confidentiality of client information;
- AIS employees will undertake investment decisions in a manner that is independent and appropriate for each individual client;
- AIS employees will dispatch their duties in a manner that safeguards the firm's reputation and is consistent with the principles of honesty, integrity and professionalism.

The AIS Code of Ethics is available upon request.

### B. Participation or interest in Client Transactions and Personal Trading

AIS does not participate in securities in which it has a material financial interest. AIS and its related persons, as a matter of policy, do not recommend to clients, or buy or sell for client accounts, securities in which the firm or its related persons has a material financial interest.

C. The AIS Code of Ethics allows individuals associated with the firm to buy or sell for their personal accounts the same securities as AIS purchases for or recommends to clients. However, it is the expressed policy of our firm that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients. Generally, our investments in mutual funds, ETFs, and large-capitalization stocks do not give rise to conflicts because they are readily available to all investors and the timing of transactions by AIS personnel cannot impact the market.

D. The AIS Code of Ethics requires that anyone associated with the advisory practice who possesses access to advisory recommendations ("access persons") provide annual securities holdings reports and quarterly transaction reports to AIS's Chief Compliance Officer or his designee. The Code of Ethics also details our policy prohibiting the use of material non-public information and the confidentiality of client information.

## Item 12 Brokerage Practices

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### Recommended Brokerage Firms (Custodians)

AIS does not have the authority to determine the broker to be used for the execution of client transactions, without obtaining specific client consent. AIS may recommend that clients establish accounts with specific broker-dealers based on certain factors. We consider the following:

- Client services (including communication, access to information, trust services, and product availability)
- Commission structure and competitive rates
- SIPC insurance and excess SIPC insurance
- National reputation
- Custodial and transfer services and rates
- Access to institutional trading platforms that allow for automated trading and downloads and activity files
- Access to fixed income trading
- Access to trade-away services that allow AIS to execute trades through fixed income specialist firms
- The availability of Dimensional Fund Advisor ("DFA"), Vanguard and other no-load mutual funds
- Other services that allow AIS to provide efficient investment advisory services to clients including, but not limited to best execution.

Based on these factors, our discretionary PAM and HYD programs currently offer clients a choice of three broker-dealer/custodians: Charles Schwab Institutional, TD Ameritrade Institutional or Fidelity Investments ("Recommended Brokers"). For the PAS AIS has chosen a single broker-dealer/custodian, Charles Schwab Institutional in order to lower the cost of the service for all clients.

We may recommend that a transaction be executed at a specific broker-dealer in the event that we feel we can achieve better execution, specifically in the case of individual fixed income securities where we may use a fixed income specialist firm and in the case of an exchange of annuities based on our recommendations. AIS will notify the client at the time such a transaction is made.

The Recommended Brokers provide our advisory business with access to institutional trading and custody services, which are not typically available to retail investors. These services are generally available to investment advisers on an unsolicited basis and no additional charge.

The benefits provided by the Recommended Brokers include:

- Software and other technology that:
  - provide access to client account data (such as trade confirmations and account statements)
  - facilitate trade execution
  - provide research, pricing information and other market data
  - facilitate payment of AIS's fees from its client accounts



American Investment Services, Inc.  
Form ADV Part 2A  
March 31, 2012

- assist with back-office functions, record keeping and client reporting
- assist in the aggregation and allocation of block trades
  
- Assistance with practice management in general
- Compliance related resources

Most of these services may be used to service all or a substantial number of AIS's accounts.

In addition, the Recommended Brokers may offer to make available, arrange and/or pay for these types of services rendered to AIS by independent third parties. Recommended Brokers may discount or waive fees that they would otherwise charge for some of these services or pay all or part of the fees to a third-party providing these services to AIS. While as a fiduciary, AIS endeavors to always act in its clients' best interests, and AIS's recommendation that clients maintain their assets in accounts at these Brokers may be based in part on the benefits to AIS of the availability of some of the foregoing products and services and not only on the nature, cost or quality of custody and brokerage services provided which may create a potential conflict of interest.

AIS has no brokerage arrangements from which it receives "soft dollar" benefits or client referrals and does not participate in client directed brokerage arrangements.

## Item 13      Review of Accounts

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### **Rebalancing Accounts Generally (PAS, PAM and HYD Services)**

Account reviews are performed no less than quarterly to determine if asset class values have deviated from fixed targets or target ranges and for the purpose of meeting clients' cash flow needs. Even if one or more asset classes fall outside their target the advisor may determine not to rebalance the asset class for various reasons, such as avoidance of short-term capital gains, deferring long-term capital gains, minimizing transaction costs, or for various other reasons related to economic or market-related factors.

Additional portfolio reviews are undertaken upon request by clients, such as when special cash needs arise or when additional cash or securities are added to the investment portfolio. AIS will respond to such requests promptly.

Other conditions that may trigger a review and potential rebalance are changes in the tax laws, new investment information and changes in a client's situation or circumstances. AIS may also execute sales and purchases for tax loss harvesting.

In executing rebalancing actions the portfolio manager will seek to rebalance one or more asset classes closer to the targets, but may choose not to rebalance a specific asset class or security in light of tax considerations, transaction costs relative to the trade amount or for other reasons. AIS may estimate the market close at any point during the day during which trades are placed, and undertake trades on that basis. Since the stock market can be very volatile, this may cause us to underestimate or overestimate the amount needed to effect a rebalancing action.

### Rebalancing for HYD Accounts and HYD Holdings within PAM accounts

Our high-yield Dow model portfolio is calculated monthly based on mid-month closing prices. HYD accounts are rebalanced the following day in order to bring the holdings back in line with the percentage value of each holding in our model portfolio. AIS will generally not place rebalancing trades if the transaction cost is more than one-percent of the value of the trade.

For PAM accounts that hold a portion of the large-cap value segment of the portfolio in the high yield Dow model we will generally make rebalancing trades monthly based on the mid-month calculation.

The Chief Executive Officer is responsible for ensuring that the monitoring and rebalancing of client portfolios is carried out in a diligent and prudent manner.

## Item 14 Client Referrals and Other Compensation

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AIS **does not** provide or accept compensation from any person for client referrals.

Referrals to other professionals (such as tax, legal or financial planning experts) may be undertaken where appropriate to meet individual client needs, but AIS will receive no compensation for such a referral.

AIS may bill clients for preparation of tax filings and other statements for Charitable Remainder Unitrust accounts. In those instances the fee will be a direct pass through from the tax preparer to the client and AIS will receive no compensation.

## Item 15 Custody

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AIS does not accept custody of clients' securities. AIS cannot withdraw, transfer, or otherwise move funds or cash from any client account to our accounts or the account of any third party. We are not granted access to our clients' accounts, other than for fee deduction purposes, as explained below. This is for the safety of our clients' assets.

With written client consent AIS may be provided with the authority to electronically deduct our quarterly management fee from clients' account(s). This process is generally more efficient for the client and for AIS and there may be tax benefits for the client when fees can be paid from certain tax-deferred accounts.

All of our clients receive account statements directly from qualified, third-party custodians; the bank or broker-dealer that maintains their assets. We encourage client to carefully review these account statements and compare them to the quarterly (or annual in the case of PAS clients) reports provided by AIS. This review will help clients ensure that all account transactions, including deductions for management fees remain proper. Clients are welcomed to contact us with any questions or concerns and should notify us immediately if they find a discrepancy in their statements.

## Item 16 Investment Discretion

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AIS requests written authority in the form of a limited power of attorney to trade in clients' accounts. This allows AIS to determine which securities to sell and in what amounts without consultation with the client on a transaction-by-transaction basis. However, the client may place conditions including restrictions on transactions in specific company securities or industries or types of financial products. These conditions should be communicated to AIS in writing.

If a client chooses to direct its brokerage to a broker other than our Recommended Brokers (see Item 12 Above), the client may forego certain benefits. For example, there may be a disparity in the commission schedule available to the client compared to other AIS clients and best execution will not be achieved. AIS reserves the right to decline to provide advisory services in these cases.

## Item 17 Voting Client Securities

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AIS may accept discretion to vote by proxy the securities owned by its clients ("Client Securities").

The following is a summary of the AIS Proxy Voting Policies:

- AIS will generally vote all proxies for Client Securities that it receives
- AIS will refrain from voting if a matter covered by a proxy represents a material conflict of interest with the client(s) owning the securities, unless instructed how to vote by the client(s)
- AIS will refrain from voting if it deems non-voting to be in the best interests of clients
- AIS will vote proxies in accordance with general or specific instructions or guidelines provided by clients
- In the absence of client instructions or guidelines, AIS will vote proxies so as to maximize the economic value of the client securities and serve the best interests of clients.

The following is a summary of the AIS Proxy Voting Procedures:

- AIS will monitor actions of corporations whose securities are held in client accounts
- AIS will ensure action is taken on each proxy
- AIS will identify whether a material conflict of interest exists between AIS and client(s)
- AIS shall retain the records of all proxies voted

AIS will promptly provide information on how proxy votes were cast upon client request. A copy of the AIS Proxy Voting Policies and Procedures is also available upon request.

## Item 18 Financial Information

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AIS accepts discretion over clients' accounts as described in Item 16. AIS is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. AIS does not currently face such a condition and has never been subject to a bankruptcy proceeding.

## ADV Part 2B (“Brochure Supplement”) Our Investment Advisory Team Members

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The educational background and employment histories of AIS advisory personnel are described in the following pages. These descriptions provide the information required to be set forth in the Part 2 B Brochure Supplement of Form ADV under recent SEC amendments of that form.

AIS requires each person with a professional designation to complete annual continuing education requirements, if they are required to do so by reason of the professional designation or certification program.

All advisors must have a commitment to our investment approach and demonstrate a strong commitment to their fiduciary responsibility to clients.

John L. Barry, President and CEO, is responsible for supervision of the activities of all advisory personnel. Mr. Barry can be reached at 413-528-1216, ext. 3119.

American Investment Services, Inc.  
Form ADV Part 2B ("Brochure Supplement")  
March 31, 2012



John L. Barry, ChFC, President and Chief Executive Officer

Mr. Barry is responsible for strategic planning and for the overall direction of the firm. He is closely involved in investment strategy and serves as editor-in-chief of the *Investment Guide*.

*Educational Background:* John graduated with a BBA in finance from Notre Dame in 1984. He received an MA in Economics from the University of California Santa Barbara in 1991 and an MBA from the University of Montana in 1988.

*Employment History:* John served for eight years as a junior officer in the U.S. Air Force, attaining the rank of Captain; in his final duty assignment he taught undergraduate economics at the U.S. Air Force Academy. He left the service to work as an analyst for Prudential Insurance before joining AIS in 1994. He became President and CEO in 2000.

John's duties include overseeing portfolio strategy, new business development, and producing the monthly newsletter *Investment Guide*. He plays a key role in monitoring developments in Modern Portfolio Theory and in guiding staff to ensure that useful advances in financial theory are adopted in practice.

*Personal Summary:* He received his ChFC (Chartered Financial Consultant) designation in 2002. He is an avid runner and Nordic skier and enjoys fishing and spending time with his wife and three children.



Seth L. Hoffman, Vice President and Chief Compliance Officer

Mr. Hoffman is a portfolio manager and is also responsible for the AIS compliance program. In addition, he contributes articles regularly to the *Investment Guide*, is involved in the investment research and portfolio design process, and the firm's business development strategy.

*Educational Background,* Seth L. Hoffman graduated with a BA in international studies from Vassar College in 1990. He received an MBA in international management from Thunderbird School of International Management in 1996. He has also completed coursework at Columbia University and the University of Granada in Granada, Spain.

*Employment History,* Seth joined AIS in 2003 as a senior analyst and portfolio manager. He became administrative vice president in 2005, chief compliance officer in 2008 and executive vice president in 2010. He held various positions with the American International Group (AIG) from 1998 to 2002.

*Personal Summary.* Seth completed the global management associate program at American International Group (AIG), and held various positions of increasing responsibility at AIG prior to joining AIS in January of 2003. Seth lives in Richmond, Massachusetts with his wife and two children.

American Investment Services, Inc.  
Form ADV Part 2B ("Brochure Supplement")  
March 31, 2012



Charles Murphy, Vice President and Chief Financial Officer

Mr. Murphy is a portfolio manager and is also responsible for accounting operations including preparation of quarterly and annual financial statements. Charles is also actively involved in marketing and the design and promotion of the *Investment Guide*.

*Educational Background*, Charles D. Murphy graduated with a BBA in Accounting from Loyola University at Baltimore in 1997.

*Employment History*, Charles has been Vice President and Chief Financial Officer of American Investment Services, Inc. since 2007.

Prior to joining to AIS Charles was a Financial Advisor with Merrill Lynch, Pierce, Fenner, and Smith, and served as Vice President, Controller and Financial Advisor for Dion Money Management in Williamstown, MA.

*Personal Summary* - Charles has over twenty years of experience in the financial services industry in investment management and accounting. Charles also proudly served in the United States Navy during Operations Desert Shield and Desert Storm. He lives in Pittsfield, Massachusetts with his wife and two children.



Bo Bo Nge, Senior Research Analyst

Mr. Nge guides the investment research process at AIS. His responsibilities at AIS includes analyzing investment vehicles for recommendation in client accounts, analysis and trading of fixed income securities and regulated utilities, update and maintenance of AIS proprietary high-yield Dow investment strategy. In addition to analytical duties, Bo Bo also co-manages institutional endowment funds and pooled income funds under AIS management

*Educational Background*, Bo Bo Nge earned his BA in Economics from Bard College and his MA in International Economics from the School of Advanced International Studies at Johns Hopkins University in 2006.

*Employment History*, Bo Bo was an entrepreneur in his native Burma before coming to the United States to complete his undergraduate studies. From 2001 through 2003, he was a scholar at the Levy Economics Institute of Bard College in Annandale, New York, and a Research Fellow at AIER in 2003 and 2004. After completing his graduate degree he was a statistician at AIER.

American Investment Services, Inc.  
Form ADV Part 2B ("Brochure Supplement")  
March 31, 2012



David F. St. Peter, CFA, Portfolio Operations Manager

Mr. St. Peter is responsible for a variety of Portfolio Operations functions, is involved in portfolio research as well as writing articles for the *Investment Guide*. He also serves as Corporate Secretary of AIS.

*Educational Background*, David graduated with a BA in Biology from Harvard in 1995. He received an MBA in Finance from Columbia Business School in 2002.

*Employment History*, David has been Portfolio Operations Manager at American Investment Services, Inc. since 2008. Prior to joining AIS he managed an equity portfolio using a proprietary stock screening and trading model. He previously worked as a security analyst at Loomis, Sayles & Co. in Boston and was a financial analyst with Goldman, Sachs & Co. in New York City.

*Personal Summary*, David has over 13 years of experience in finance and investment management. He received his CFA (Chartered Financial Analyst) designation in 2000. David lives in Stockbridge, Massachusetts with his wife and son.



Matthew J. Svirida, Vice President and Chief Operations Officer

Mr. Svirida joined AIS in 2005 and is a portfolio manager and oversees equity trading and operations.

*Educational Background*, Matthew graduated with a BBA from Hofstra University in 1992 and has completed graduate coursework at Mercy College, New York.

*Employment History*, Matthew has been employed in the financial services field for 13 years. He previously worked for JP Morgan Chase in New York City where he held two positions during his time there. He worked as a Group Administrator with Personal Financial Services, an affluent investment sales group, and also held the position of Representative Liaison where he assisted and educated the 300+ financial advisors in the nationwide Chase Investment Services, Inc. network. Prior to his tenure with JP Morgan Chase he was employed on the trading desk of two independent broker-dealers.

*Personal Summary*, a native of Long Island, Matthew is a current Board member and Treasurer of the Great Barrington Land Conservancy (GBLC), a non-profit organization dedicated to preserving and enhancing the community's natural resources and distinctive character.



American Investment Services, Inc.  
Form ADV Part 2B ("Brochure Supplement")  
March 31, 2012



Mack W. Waggaman, Vice President

Mr. Waggaman is a portfolio manager and contributes to the *Investment Guide*.

*Educational Background*, Mack received his BA from the Rochester Institute of Technology in 1975 and an MBA from the Rensselaer Polytechnic Institute in 2003.

*Employment History*, prior to joining AIS in 2004 Mack was as a financial consultant and broker for A.G. Edwards & Co. He previously worked in the motion picture and television industry where he held numerous executive positions including Vice President and General Manager of Medialab Studio, L.A.

*Personal Summary*, Mack returned to the Northeast in 1998 after a long and varied career as an executive in the motion picture and television industry during which he worked in both film and animation. Mack enjoys rowing and outdoor recreation. He has three adult children and lives in Mt. Washington, Massachusetts with his wife Judy.



Christine Weaver, Portfolio Administrator & Sales Assistant

Ms. Weaver is responsible for bookkeeping, account maintenance for new and existing newsletter subscribers and administering client accounts.

*Educational Background*, Christine studied Finance at Rensselaer Hartford, CT, graduating in 2008 with a MBA in Business Administration and Finance from American International College in Springfield, MA. She received a BA and ABA-Approved Certificate of Advanced Paralegal Studies from Elms College, Chicopee, MA in 1992.

*Employment History*, Christine previously worked in law firms in Springfield and Hyannis, MA in the areas of personal injury, bankruptcy, real estate, and wills and estates and in the financial services industry including compliance and investment analyst positions with MassMutual Financial Group and Babson Capital Management LLC.

*Personal Summary*, Christine has been a member of The Society for Creative Anachronism, Inc. since 1995 and has been musically active throughout her lifetime including attending Early Music sessions at Pinewoods Camp, Inc. in Plymouth, MA, and has been a member of many various community bands, orchestras and choirs. Most recently she plays oboe with the Eagles Band and Berkshire Music School Orchestra.