



Item 1 – Cover Page

Institutional Securities Corporation

3500 Oak Lawn Ave

Suite 400

Dallas, TX 75219

Ph: (800) 888-3520

www.iscgroup.com

March 31, 2012

This Brochure provides information about the qualifications and business practices of Institutional Securities Corporation ("ISC"). If you have any questions about the contents of this Brochure, please contact us at (800) 888-3520 or compliance@iscgroup.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.

INSTITUTIONAL SECURITIES CORPORATION is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about INSTITUTIONAL SECURITIES CORPORATION also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

There are no material items in this annual update dated March 31, 2012. The previous version of this form is dated March 31, 2011.

Currently, our Brochure may be requested by contacting Andrey Weadon, Director of Operations at (800) 888-3520 or compliance@iscgroup.com. Our Brochure is also available on our web site www.iscgroup.com also free of charge.

Additional information about INSTITUTIONAL SECURITIES CORPORATION is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with ISC who are registered, or are required to be registered, as investment adviser representatives of ISC.

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Item 4 – Advisory Business

Institutional Securities Corporation is a wholly-owned subsidiary of ISC Group, Incorporated. ISC Group and Institutional Securities Corporation are located at 3500 Oak Lawn Ave, Suite 400 Dallas, TX 75219. ISC Group was incorporated in 1989 and Institutional Securities Corporation was founded in 1987. Terry L. Hill, President and CEO, is the majority shareholder of ISC Group and affiliates.

The names Institutional Securities Corp, ISC Group, and ISC are often used interchangeably in the day to day operations of the firm. All contracts, correspondence, sales literature and advertising that require registration under the Investment Advisors Act of 1940 are provided through registrant, Institutional Securities Corporation.

Services Offered

Financial planning

The Firm may provide financial planning services in the areas of retirement planning, financial planning, personal tax and cash flow planning, estate planning, insurance planning, divorce planning, college planning, and compensation and benefits planning, among others and such services are provided based upon a negotiated hourly rate. Once the scope of financial planning services has been agreed upon, a determination will be made as to the applicable fee to be charged. The final fee, subject to negotiation, is directly dependent upon the facts and circumstances of the client's financial situation and the complexity of the financial plan or service(s) requested. *In limited circumstances*, the cost/time could potentially exceed the initial estimate. In such cases, the Firm will notify the Client and may request that the client pay an additional fee.

The Firm reserves the right to determine whether the financial planning fees will be waived or offset by advisory fees and/or additional compensation earned in the implementation process. The scope and complexity of the financial planning services that were provided may determine the waiver or offset of the fee.

In general, the financial plan will address the following areas of concern:

Personal: family records, budgeting, personal liability, estate information and financial goals.

Tax and Cash Flow: Income tax and spending analysis and planning for the past, current and future years. We illustrate the impact of various investments on the client's or clients' current income tax and future tax liability.

Death and Disability: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.

Retirement: Analysis of current strategies and investment plans to help the clients achieve their retirement objectives.

Investments: Analysis of investment alternatives and their effects on client portfolios.

Institutional Securities Corporation ("ISC") gathers required information through in-depth, personal interviews. Information gathered includes a client's current financial status, future goals, attitudes towards risk and other relevant information. After this information is obtained, ISC and advisor representatives make recommendations for the client. Should the client choose to implement the recommendations contained in the plan, ISC suggests the client work closely with his/her attorney, accountant, insurance agent, and/or stock broker. Implementation of financial plan recommendations is entirely at the client's discretion.

Limited Services: Clients can also receive investment advice on a more limited basis. This may include advice on only isolated areas of concern such as estate planning, retirement planning, or other specific topic. ISC also provides specific consultation and administrative services regarding investment and financial concerns of the client.

Additionally, ISC provides advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, insurance, and/or annuity advice. Financial Plan recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. All recommendations are of a generic nature.

Pension Consulting Services

As an investment advisor, ISC also provides pension consulting services to employers that are contemplating starting, transferring, or amending their employer-sponsored retirement plan(s). In this capacity, ISC meets with senior management and key personnel to design and operate retirement plans and retirement plan documents that meet the employer's needs and comply with all applicable rules and regulations.

ISC will provide the following services: 1) Both Institutional accounts and individual accounts are being served by the advisory agreement. Institutional accounts are typically employer sponsored qualified retirement plans under section 401(a), 401(k), 403(b), or 457 of the IRS code. Services provided under this agreement include an analysis of the risk tolerance and time horizon of the particular account and the development and utilization of an investment policy statement detailing applicable plan objectives and performance benchmarks. 2) The advisor will implement the investment plan after having reviewed the

applicable investment options with the client. These financial products may include the use of load and no-load mutual funds. In the case of load mutual funds, the advisor will attempt to waive loads whenever possible. Other products used may include closed-end mutual funds, fixed and variable annuities, insurance GIC products, unit investment trusts, certificates of deposit, exchange traded funds, individual stocks, bonds, government securities, and municipal securities. 3) Individual advisor (non-institutional) clients will be granted rights of accumulation benefits where possible. 4) ISC will review and analyze the client's financial situation, recommend and implement appropriate actions, monitor client's investments, and periodically review, evaluate and report investment results.

Managed Accounts Program

The Firm has developed a proprietary managed account program called Pathways ("the Program") to assist clients in meeting their investment goals and objectives. The Program seeks to maximize risk-adjusted returns over the long-run according to each portfolio's objectives. The Program is managed by an investment committee at the Firm that typically meets twice per month to discuss the underlying funds, asset allocation, and forward looking market and economic expectations.

The Program is offered through various custodial and brokerage accounts as an actively-managed overlay consisting of either mutual funds or exchange-traded funds and is managed according to one of four managed model portfolios:

- (1) Income – primarily attempts to avoid short-term loss, but still seeks somewhat higher returns over the long term
- (2) Balanced – intended to provide returns that are expected to outpace inflation over the long term to investors who are equally concerned with risk and return
- (3) Growth - designed to provide wealth accumulation to investors with intermediate to long term time horizons. This portfolio may have higher than average volatility and potential short-term losses to achieve desired returns.
- (4) Aggressive Growth – designed for investors who have a longer time horizon and to provide wealth accumulation. Investors may experience volatility and short term loss in portfolio value in exchange for the chance to achieve higher returns over the long term.

Model Portfolios are managed according to the general categories of objectives and risk tolerances defined above and are not tailored to the individual needs of the clients. The Program is currently offered as a portfolio management option to the Firm's corporate clients for utilization in connection with their employer-sponsored qualified retirement plans. The Program is purely optional. Participants can start or stop this program at any time and can alternatively select to self-direct their individual retirement plan(s) rather than rely on the Firm's Managed Portfolio Program option. The Program is offered through

the Firm, its registered representatives or investment advisory representatives acting in their separate capacity as IAR's of the Firm, based on the Firm's independent registration as an investment adviser with the Securities and Exchange Commission. Clients that participate in the program will receive Part 2A of the firm's Form ADV in accordance with SEC regulations. If the disclosure brochure is not delivered to the Client at least 48 hours prior to entering into the Agreement, the Client may terminate the Agreement within five business days without penalty. After the five day period, either party may terminate the agreement by providing written notice to the other. Upon termination, any prepaid fees will be prorated to the date of termination and unearned fees will be returned to the Client.

The fees for the Program range from 0% to 1% depending upon the Firm's negotiated arrangement with a particular employer. Fees are billed quarterly in arrears and are based upon the average balance during the time period.

Fee Schedule: for investment advisor services, ISC will charge a fee based upon a percentage of assets under supervision. Fees are negotiable and will not exceed a maximum of one-percent (1.00%) per year.

Total Assets under management as of 12/31/2011: \$418,828,232

Accounts managed on a discretionary basis:	\$ 15,830,779
Accounts managed on a non-discretionary basis:	\$402,997,453

Item 5 – Fees and Compensation

All fees are subject to negotiation.

The specific manner in which fees are charged by ISC is established in a client's written agreement with ISC. ISC will generally bill its fees in arrears on a quarterly basis. Clients may elect to be billed directly for fees or to authorize ISC to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

ISC's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges

imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to ISC's fee.

Institutional Securities Corporation is dually registered as both a Registered Investment Advisor and a securities Broker-Dealer that is a member of FINRA and SIPC. ISC and its supervised persons accept compensation from the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds and insurance products. This practice presents a conflict of interest and gives ISC and its registered representatives an incentive to recommend investment products based on the compensation received, rather than on a client's needs. ISC requires that securities are purchased with the commission or markup waived however there could be situations where this is unavoidable. Trades are reviewed daily to ensure that they are in the best interest of the client. Client accounts are also randomly reviewed quarterly for inconsistencies with investment objectives, accuracy of fee billing and deduction in accordance to the fee schedule on file, excessive trading, excessive commissions or markups and other determining factors deemed appropriate by Institutional Securities' Compliance Department.

Mutual Funds – Fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible fund distribution fee. If the fund imposes sales charges, a client may pay an initial or deferred sales charge. ISC as a broker-dealer may receive payments from certain mutual funds distributed pursuant to Rule 12(b)-1, distribution plan or other such plan as compensation for administrative services, representing a separate financial interest to ISC. If the advisor representative recommends mutual funds that carry a sales load or pay 12(b)-1 fees, and receives this compensation in addition to a separate advisory fee, a conflict of interest exists.

Insurance Contracts – ISC and investment advisor representatives may recommend that clients purchase fixed or variable insurance contracts when the client's tax or legal situation make such purchases suitable, or if the client determines certain living or death benefit guarantees available through insurance contracts are desirable in helping the client meet his/her investment, tax or income objectives. Clients are advised that variable insurance contracts carry fees and expenses relating to providing insurance guarantees that are in addition to the expenses associated with the investment features. These insurance related expenses usually include mortality and expense risk fees, premium taxes (in certain states), optional riders, an annual contract administration fee and, in the case of life insurance, the cost of the life insurance risk to the insurance company. Clients are advised that the additional fees charged by insurance companies within variable contracts are separate and distinct from advisory fees charged by ISC. In addition, these contracts may have significant withdrawal or surrender penalties if a minimum contract holding

period is not met. All fees and expenses associated with the variable contract features and benefits are explained in detail in the prospectus for the product being recommended and disclosure is documented on the firm's compliance documentation that is signed by the client.

At no time shall ISC or an advisor representative of ISC charge an advisory fee on any insurance contract or on any mutual fund that paid ISC and the advisor representative a front-end or back-end sales charge. This prohibition against charging both an advisory fee and earning commissions (other than 12(b)-1 fees) mitigates the conflict of interest noted above. Additionally, ISC and ISC's investment advisor representatives are not permitted to markup or charge commissions on trades of stocks, bonds, options or ETF's that exceed the firm's standard ticket charge.

Clients have the option to purchase investment products recommended by ISC through other brokers or agents that are not affiliated with ISC.

Item 6 – Performance-Based Fees and Side-By-Side Management

ISC does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

ISC provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, and other U.S. and international institutions.

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

Institutional Accounts

The Investment Committee manages and oversees the investment of assets in accordance with an Investment Policy Statement.

- The Investment Policy Statement sets forth the investment objectives and investment guidelines that govern the activities of the Investment Committee and any other parties to whom the Investment Committee has delegated investment management responsibility for assets.
- The Investment Committee will supervise the investment of the assets and make decisions concerning selection and retention of the investment options.

Accordingly, the Investment Committee will have authority both to select and monitor funds.

- Periodic evaluation and performance analysis of investment options will be conducted by the Investment Committee.

The investment objectives, risk characteristics, historical performance and expenses related to each investment are reviewed when selecting investment options. The selected investment options are intended to:

- Maximize potential returns while assuming a reasonable level of risk relative to a stated benchmark and/or peer group.
- Provide returns comparable to returns for similar investment options.
- Provide exposure to a range of investment opportunities in various asset classes.
- Control management costs

Each investment manager must:

- Be considered a bank, insurance company, investment management company or an investment adviser registered under the Investment Advisers Act of 1940.
- Be able to disclose information on history, investment philosophy, fee schedules and other relevant investment and/or fund information.
- Be operating in good standing with regulators, with no material pending or concluded legal actions.

The investment options must meet the following criteria:

- Performance should be reasonable, compared to an appropriate, style-specific benchmark and/or peer group over a period of time.
- Specific risk and risk-adjusted return measures should be within a reasonable range relative to an appropriate, style-specific benchmark and/or peer group.
- The options should complement other available options so that when used together, they may be expected to reduce portfolio volatility or increase expected long term portfolio returns.
- The investment options should be consistently managed by, and demonstrate adherence to, the investment objectives stated in the prospectus.
- Fees should be reasonable and competitive compared to similar investments/funds.
- The portfolio turnover and market value of the entire fund should be consistent with the investment style and market sector of the fund.

The monitoring of the investment options and the investment managers will be a regular and disciplined process. This monitoring provides a means of revisiting the selection process and confirming that the investment options continue to satisfy the criteria by which they were chosen. While frequent change is neither expected nor desirable, the

process of monitoring investment performance relative to specified guidelines is an on-going process.

Monitoring will include evaluating if there are any unusual, notable or extraordinary events affecting the firm and/or investment option(s). Examples of these events include:

- Performance and risk objectives are not achieved
- Unexplainable non-adherence to stated objectives
- Non-compliance with investment guidelines as detailed in the prospectus or other such document
- Organization instability and/or the departure of key relevant investment professionals
- Changes that would negatively impact the investment process
- Unusual turnover
- Unexplainable portfolio manager or team departure
- Material litigation against the firm
- Material changes in firm ownership structure, etc.

After review, if the investment option and/or the investment manager are deemed acceptable, no further action is required. If areas of concern exist, steps must be taken to resolve the problem(s). If over a reasonable period of time, the issue is not solved, termination of the investment manager and/or investment option may result.

An investment option may be terminated when confidence is lost in the option's ability to:

- Achieve performance objectives
- Achieve risk objectives
- Maintain a stable investment style

There are no hard and fast rules for investment option termination. However, if the investment has consistently failed to adhere to one or more of the above conditions, it is reasonable to presume a lack of adherence going forward. Failure to remedy the circumstances of unsatisfactory performance, within a reasonable time, shall be grounds for termination.

Any recommendation to terminate an investment option will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to those above, other factors may include investment option manager turnover, or material change to investment processes. Considerable judgment must be exercised in the termination decision process.

An investment option to be terminated shall be removed using one of the following approaches:

- Remove and replace (map assets) to an alternative investment option
- Continue the investment option, but add a competing investment option
- Remove the investment option and do not provide a replacement investment option

The Investment Committee is responsible for all investment selection, asset allocation and rebalancing decisions for Institutional Accounts previously described under the Managed Accounts Program section and all Investment Advisor Representatives are responsible for individual client recommendations under the supervision of ISC's compliance department. While all model portfolios are managed according to differing objectives: Income, Balanced, Growth and Aggressive Growth, all employ a similar investment strategy and differ only in the underlying asset allocations.

This investment strategy primarily buys and holds mutual funds that have differing risks and differing investment objectives, and each underlying fund allocation is weighted according to the investment committee's recommendations. Past performance does not guarantee future results. Please consider the investment objectives, risks, and charges and expenses of these mutual funds carefully, which along with other important information, will be located in the Prospectus. This prospectus can be obtained from ISC toll free at (800) 888-3520 and should be read carefully before investing any monies. Investment in a mutual fund or security involves risk. The investment return and principal value of an investment will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

Retail/Private Client Accounts

Retail clients engage the firm's Investment Advisor Representatives ("IAR") by entering into an Investment Advisory Agreement. Each IAR gathers information needed to make recommendations through in depth personal interviews. Information gathered includes, among others, a client's current financial status, future goals and attitudes towards risk. Once this information is gathered, the IAR makes investment recommendations based on his or her own research, and may include allocations to a range of financial products and services that may include mutual funds, stocks, bonds, options, exchange traded funds and other financial instruments that are aligned with each customer's unique needs and tolerance for risk. IAR's management styles can incorporate fundamental analysis or technical analysis, and can include strategic and tactical asset allocation strategies. Investment Advisor Representatives are charged with continually monitoring clients' portfolios along with changes in clients' needs, objectives and tolerances for risk that may dictate a change in strategy or recommendations. All IAR activity is monitored by ISC's compliance department to ensure that recommendations are in the clients' best interests.

Investing in securities involves risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of ISC or the integrity of ISC's management. ISC has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Institutional Securities Corporation is also a registered broker-dealer. In addition to the services provided under this agreement, the firm's management is actively involved in the management and supervision of the registered representatives of this broker-dealer and the direct management of accounts of individual clients of the firm. In its capacity as an introducing broker-dealer, ISC has a fully disclosed clearing relationship with Southwest Securities, Inc. to clear brokerage transactions for the firm. ISC also has arrangements with Mid-Atlantic Trust Company, TD Ameritrade, Fidelity Brokerage Services and Charles Schwab to provide clearance and settlement services. TD Ameritrade, Charles Schwab and Fidelity Brokerage Services also provide clearing services for certain accounts.

Because ISC is also registered as a broker-dealer, ISC's advisory representatives are also registered representatives of the broker-dealer. If a client chooses to implement the advisory recommendations of their advisory representative and then elects to execute such transactions through ISC as a broker-dealer, such representative may receive commissions as a result of such transactions exclusive of and in addition to the advisory fee. This presents a conflict of interest to the extent the representative recommends a client invest in a security which results in a commission being paid to the representative in addition to the advisory fee which may result in higher overall transactions costs paid by a client may be higher through ISC than those charged by other broker-dealers. Thus, clients in some cases will be paying higher commissions and transactions costs for executing transactions through ISC or other broker dealers listed vs. through other executing broker-dealers and in most cases, executing those same transactions through a discount broker-dealer. Although the commissions and/or transaction fees paid by ISC's clients shall comply with our duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to execute the same transaction where ISC determines, 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, although ISC will strive to seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions.

ISC has related persons, in their individual capacities, acting as agents and/or brokers for various insurance companies. As such, these individuals will be able to receive separate commission compensation resulting from implementing product transactions (including transaction in certain GI contracts) on behalf of advisory clients.

ISC's affiliated company, Investment Sales Corporation, is a pension consulting and administration firm, and these services may be provided to clients by the affiliated company for separate fees. No client is obligated to use the affiliated company for these services.

The firm trades certain debt instruments through outside dealers and transfers them into our inventory account to be allocated to customers at our clearing firm on a riskless principal basis.

Some of ISC's associated persons, in their separate capacities as insurance agents or brokers of various insurance companies are able to purchase investment products (insurance and certain GI contracts) for any client for separate and typical compensation. Clients are not under any obligation to engage these individuals for these services.

The principals of ISC may also act as a broker or agent in effecting securities transactions for compensation from the firm's clients. The activities and compensation of any related person would be fully disclosed to the client and to ISC. Any such activities must be approved by ISC before being entered into by any related persons. Information regarding fees is disclosed in the Advisory Agreement between the client and ISC. Any restrictions exist via the supervision of the representatives by ISC as broker-dealer.

ISC addresses this inherent conflict of interest in a couple of ways. First, ISC requires that securities are purchased with the commission or markup waived when possible, but there could be situations where this is unavoidable. Trades are reviewed daily by our compliance team to ensure that they are in the best interests of the client. Client accounts are also randomly reviewed quarterly for inconsistencies with investment objectives, accuracy of fee billing and deduction in accordance to the fee schedule on file, excessive trading, excessive commissions or markups and other determining factors deemed appropriate by Institutional Securities' Compliance Department.

Item 11 – Code of Ethics

ISC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at ISC must acknowledge the terms of the Code of Ethics annually, or as amended.

ISC anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which ISC has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which ISC, its affiliates and/or clients, directly or indirectly, have a position of interest. ISC's employees and persons associated with ISC are required to follow ISC's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of ISC and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for ISC's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of ISC 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. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of ISC's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between ISC and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with ISC's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. ISC will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any

exceptions will be explained on the Order.

ISC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Andrey Weadon at (800) 888-3520.

It is ISC's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. ISC will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

In most cases, ISC will recommend that ISC as broker dealer execute trade recommendations to clients. The advisor may also suggest the use of Charles Schwab, TD Ameritrade, Fidelity Brokerage Services, Mid Atlantic Trust Company or Southwest Securities as a broker dealer. Typically, the broker dealer used is a function of the type of account. A large percentage of the advice we provide to individuals is in regard to their employer sponsored retirement plans and it is their employer that dictates the custodial relationship. Most individual client accounts are cleared through ISC if they hold exclusively mutual funds and through Southwest Securities if they hold other types of securities (stocks, bonds, options, etc.). ISC will generally seek competitive commission rates but will not necessarily attempt to attain the lowest possible commission for transactions for client accounts. Commissions and transactions costs may be higher through ISC than those charged by other broker-dealers.

ISC does not receive research or other products or services ("soft dollar benefits") other than execution from broker-dealers or third parties in connection with client securities transactions.

Item 13 – Review of Accounts

The underlying securities in clients' portfolios are under continuous review by the Investment Advisor. A statement, at least quarterly, from the individual investment companies is forwarded to each associate of the advisor for review. Each quarter, the clients' portfolios are reviewed to determine if they are in alignment with their investment objectives. If it is determined that rebalancing is required, such action will be taken. In the event of a major market correction in excess of 30%, the advisor will immediately review the client accounts to determine if action is required.

Reviewers: The Institutional accounts of the advisor are reviewed by Mr. Terry Hill, President, Mr. Scott Hayes, Executive Vice President and the other members of the Compliance Department and the Investment Committee. The Investment Committee normally meets two times per month for this purpose. The representatives of the advisor will serve their individual accounts. All activities of the representatives are reviewed by Mr. Hill, Mr. Hayes, and/or designee.

All institutional accounts of the advisor are provided with a quarterly account analysis and report. The individual (non-institutional) accounts of the advisor are reported at least semi-annually. This reporting is in addition to the account statements provided by the investment companies.

Item 14 – Client Referrals and Other Compensation

ISC does not directly or indirectly compensate any person for client referrals.

Item 15 – Custody

ISC does not maintain custody of client assets, and therefore does not act as a qualified custodian as defined by SEC Rule 206(4)-2.

Item 16 – Investment Discretion

ISC allows certain representatives to maintain discretionary accounts in accordance with the firm's written supervisory procedures. Discretion is allowed in terms of the dollar amount and the securities to be bought or sold and the commission rate paid as long as a

valid client authorization is on file and the account has been approved in writing for discretionary account activity by the appropriate supervisor. Representatives are expressly prohibited from transferring or authorizing the withdrawal of assets on behalf of the client or otherwise to the customer, the representative, or to another entity.

ISC usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, ISC observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to ISC in writing.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, ISC does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. ISC may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about ISC's financial condition. ISC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.