

# **VISION2020 Modelfolios Program**

## **Part 2A – Appendix 1**

### **Program Brochure**

**For**

### **FSC Securities Corporation**

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This wrap fee program brochure provides information about the qualifications and business practices of FSC Securities Corp. If you have any questions about the contents of this brochure, please contact us at 800-547-2382. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## **ITEM 2 - MATERIAL CHANGES**

Since our last annual amendment, dated December, 2009, we added disclosure language regarding:

- 1) trade confirmation fees
- 2) trade confirmation suppression

In the past, there were two Program Brochure - Schedule H disclosure documents for the Modelfolios Program: one document associated with the SAAMCo mutual fund offering and one document associated with the Russell mutual fund offering. In the process of making disclosure changes to conform to the new disclosure requirements required under the new Form ADV Part 2A - Appendix 1 ("Appendix 1"), we have combined the two referenced documents to create one uniform Appendix 1 for the Modelfolios Program.

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## **ITEM 4 – SERVICES, FEES AND COMPENSATION**

FSC Securities Corp. sponsors the VISION2020 Modelfolios Program (“Program”). FSC Securities Corp. is registered with the Financial Industry Regulatory Authority (“FINRA”) as a broker-dealer engaged in the offer and sale of securities through its Registered Representatives (“Representatives”). The Firm is also registered with the Securities and Exchange Commission (“SEC”) as an investment adviser (“Corporate Registered Investment Adviser” or “Corporate RIA”) to offer certain investment advisory products and services. Registration does not imply a certain level of skill or training.

Some of the Firm’s Representatives provide investment advice for a fee and have registered as Investment Advisory Representatives (“Advisory Representatives”) of its Corporate RIA. Some of the Firm’s Representatives provide investment advice for a fee and are Advisory Representatives of unaffiliated registered investment advisers (“Independent RIAs”).

Henceforth, FSC Securities Corp., in its role as Program Sponsor, will be referred to as “we”, “us” or “our”. FSC Securities Corp., in its role as securities broker-dealer, will be referred to as “FSC”.

The Program is presented to the client (“you”) by Advisory Representatives of the Corporate RIA or by Advisory Representatives of Independent RIAs. The Corporate RIA and Independent RIAs will collectively be referred to as “Advisor”. “Advisory Representatives” will refer to Advisory Representatives of both the Corporate and Independent RIAs.

To join the Program, you will enter into an investment advisory client agreement (“Client Agreement”) with your Advisor and establish a brokerage account (“Program Account”) with FSC on a fully disclosed basis.

### **Advisory Services**

The Program offers you managed asset allocation models of mutual funds (“Asset Allocation Models”) diversified across various investment styles and strategies. The Asset Allocation Models are constructed by SunAmerica Asset Management Company and Russell Investment Management Company (“Program Managers”).

Program Managers that construct mutual fund Asset Allocation Models use load waived or no-load mutual funds. The cost of purchasing and holding mutual fund shares through the Program may be more or less than investing in mutual fund shares in a brokerage account, depending upon the amount of the advisory fees and the specific mutual funds selected for investment within the Program.

Your Advisor will recommend a specific Asset Allocation Model to you based upon your risk tolerance and financial objectives. After the recommendation is made and upon your agreement, Advisor, with our assistance, will open a Program Account and your assets will be invested in the mutual funds contained within the selected Asset Allocation Model.

You have the opportunity to place reasonable restrictions on the investments held within your Program Account. Such restrictions may cause; (i) a divergence in account performance from the Asset Allocation Model originally presented to you; (ii) a delay in the reporting of account performance; and (iii) a delay in the rebalancing of the portfolio funds within your account.

We make no representations regarding the future performance of any Asset Allocation Model. As always, past performance is not a guarantee of future results.

We will provide monitoring and review of Asset Allocation Models. We have the discretion to modify and/or rebalance a Program Manager’s Asset Allocation Model and its associated Program Accounts without your consent consistent with your agreed upon investment objectives and risk tolerance.

### *SunAmerica Asset Management Company*

Program Manager, SunAmerica Asset Management Company ("SAAMCo") will provide Asset Allocation Models composed of SunAmerica mutual funds ("SunAmerica Funds"). With our assistance, your Advisor will invest your Program Account in a recommended Asset Allocation Model of SunAmerica Funds suitable to your risk tolerance and investment objectives. We will be responsible for rebalancing the portfolio of mutual funds within your account generally in accordance with the instructions provided by SAAMCo. There can be no assurance that any of the investment goals for your account will be met or that the net return on an investment in a portfolio of the funds will exceed what could have been obtained through other investment or savings strategies. SAAMCo is an Affiliate of ours and may be an affiliate of your Advisor (refer to the Advisor's Form ADV, Part I to determine).

### *Russell Investment Management Company*

The Russell Investment Company Funds ("Russell Funds") are managed by Russell Investment Management Company and other managers as disclosed by the respective prospectus for each of the Russell Funds. With our assistance, your Advisor will invest your Program Account in a recommended Asset Allocation Model of Russell Funds suitable to your risk tolerance and investment objectives. We will be responsible for rebalancing the portfolio of Russell Funds within your account, generally in accordance with the instructions provided by Russell Investment Management Company. There can be no assurance that any of the investment goals for your account will be met or that the net return on an investment in a portfolio of the funds will exceed what could have been obtained through other investment or savings strategies.

### **Program Costs**

You will be charged an annual fee based upon the value of the Program assets you have under management which covers management, administrative and transaction costs ("Account Fee" or "Wrap Fee"). Fees are negotiable and range up to 3.00% of the assets under management that may be collected by your Advisor, FSC and Related Persons.

Your Account Fee will bill quarterly, in advance, based upon the market value of the Program assets as of the last business day of the preceding calendar quarter. In the event that additions to, or withdrawals from, the account are made in excess of \$10,000 or more during any given quarter, the applicable Account Fee will be adjusted on a pro-rata basis, based on the market value of the assets at such time to reflect the addition or withdrawal.

Please find on the following page, the annualized, maximum Account Fee guidelines for the above referenced Asset Allocation Models. Your actual Account Fee schedule is set forth in your Client Agreement.

**[This space intentionally left blank. Account Fee guidelines follow.]**

## SCHEDULE OF ACCOUNT FEES

### Russell

Account Size	Minimum Account Fee <sup>1</sup>	Maximum Account Fee
<b>\$10,000 - \$99,999</b>	0.25%	2.50%
<b>\$100,000 - \$249,999</b>	0.25%	2.30%
<b>\$250,000 - \$499,999</b>	0.20%	2.05%
<b>\$500,000 - \$749,999</b>	0.15%	1.80%
<b>\$750,000 - \$1,249,999</b>	0.10%	1.55%
<b>\$1,250,000 - \$1,999,999</b>	0.10%	1.30%
<b>\$2,000,000 - \$4,999,999</b>	0.10%	1.05%
<b>\$5,000,000 - \$24,999,999</b>	0.10%	1.05%
<b>Over \$25,000,000</b>	0.10%	0.80%

### SAAMCo

Account Size	Minimum Account Fee	Maximum Gross Account Fee <sup>2</sup>	Maximum Net Account Fee <sup>3</sup>
<b>\$25,000 - \$99,999</b>	0.00%	3.00%	1.50%
<b>\$100,000 - \$249,999</b>	0.00%	3.00%	1.50%
<b>\$250,000 - \$499,999</b>	0.00%	2.75%	1.25%
<b>\$500,000 - \$749,999</b>	0.00%	2.75%	1.25%
<b>\$750,000 - \$1,249,999</b>	0.00%	2.50%	1.00%
<b>\$1,250,000 - \$1,999,999</b>	0.00%	2.50%	1.00%
<b>\$2,000,000 - \$4,999,999</b>	0.00%	2.50%	1.00%
<b>\$5,000,000 - \$24,999,999</b>	0.00%	2.25%	0.75%
<b>\$25,000,000 and over</b>	0.00%	2.00%	0.50%

<sup>1</sup> The Minimum Account Fee covers administrative and supervisory services provided by FSC as well as transaction, execution, clearing and custodial services provided by the clearing broker-dealer.

<sup>2</sup> The Maximum Gross Account Fee represents the maximum allowable Account Fee payable to your Advisory Representative, FSC and Related Persons. Your Account Fee includes the advisory fee payable to Advisory Representative, SAAMCo for management and administrative fees, 12b-1 fees paid by SAAMCo mutual funds and revenue sharing payments made to FSC.

<sup>3</sup> The Maximum Net Account Fee represents the fee payable to your Advisory Representative directly from your account for advisory services. This fee is calculated by deducting from the Maximum Gross Account Fee an amount equal to all SAAMCo management and administrative fees, 12b-1 fees paid by SAAMCo mutual funds and revenue sharing payments made to FSC. In no event, shall the amount payable to your Advisory Representative exceed the Maximum Net Account Fee.

## **General Information Concerning Fees and Other Client Charges**

Account Fees charged to you are shared among your Advisor, your Advisory Representative, FSC and us. Part of the fee is remitted to the custodian who serves as the associated broker-dealer's clearing firm.

All mutual funds offered by the Program will be purchased at Net Asset Value without the imposition of any sales charges. A fee of \$1.50 will apply for each mutual fund trade confirmation that you do not elect to receive electronically ("Paper Confirmation Fee"). SAAMCo uses mutual funds that assess 12b-1 distribution fees. You will not be charged these fees in accordance with disclosure referenced on page 6.

To avoid the Paper Confirmation Fee, you may request that FSC suppress trade-by-trade confirmations and present the periodic account statement, not less often than monthly, containing the information that would have been required to be disclosed to you in trade-by-trade confirmations generated pursuant to Rule 10b-10.

You will bear a proportionate share of the fees and expenses of any mutual funds selected and for money market funds used as "sweep vehicles" for uninvested cash balances. These fees and expenses may include investment advisory, administrative, distribution, transfer agent, custodial, legal, audit and other customary fees and expenses related to investment in mutual funds and are in addition to the Account Fee. Please read the prospectuses of the mutual funds selected for a more complete explanation of these fees and expenses.

You may be able to purchase shares of mutual funds outside of the Program directly from the mutual fund issuer, its principal underwriter or a distributor without purchasing the services of the Program or paying the Account Fee on such shares (but subject to any applicable sales charges). Certain mutual funds are offered to the public without a sales charge. In the case of mutual funds offered with a sales charge, the prevailing sales charge (as described in the mutual fund prospectus) may be more or less than the applicable account fee.

There are additional fees relating to IRA and Qualified Retirement Plan accounts that you may incur such as maintenance and termination fees. You will find these fees disclosed in the account application paperwork provided to you associated with these accounts.

Accordingly, you should review the Account Fee and the other fees outlined above to fully understand the total amount of fees you pay.

Please consider that depending upon the level of the Account Fee charged, the amount of portfolio activity in your account, the value of services that are provided under the Program, and other factors, the Account Fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

Depending upon the level of the Account Fee, your Advisor may receive more compensation:

- 1) as a result of your participation in the Program then if you participate in other programs that your Advisor offers.
- 2) if your Advisor charges you the Wrap Account Fee which wraps management, administrative and transaction costs into one fee rather than having you pay for these services separately.

As such, your Advisor may have a financial incentive to recommend the Program to you over other programs or services.

## **ITEM 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **Types of Clients**

The Program is available to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, banks as well as other business entities.

## **Minimum Account Size**

The minimum account size is \$10,000 for Program Accounts offering Russell Funds and \$25,000 for Program Accounts offering SunAmerica Funds.

## **ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION**

Your Advisory Representative is the sole portfolio manager available with respect to the Program. Advisors select their Advisory Representatives based on various criteria including experience. You should refer to the relevant Form ADV of the Firm with which your Advisory Representative is associated.

## **ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Your personal identification, account and holdings data are disclosed to your Advisor to enable your Advisor to help determine the investments that may be suitable for you.

Your Advisor provides us with access to the following client related information: (i) account opening documents (which include, among other things, your investment objective, risk tolerance and any account restrictions you imposed on management of assets); (ii) your investment guidelines (if applicable); and (iii) reports relating to the performance of your account.

We share your personal account data in accordance with our privacy policy detailed below.

## **Privacy Notice**

We have adopted the following privacy policy:

"Maintaining your trust and confidence is a high priority. That is why we want you to understand how we protect your privacy when we collect and use information about you, and the steps that we take to safeguard that information. This notice is provided to you on behalf of FSC Securities Corp."

## **Information We Collect:**

In connection with providing investment products, financial advice, or other services, we obtain non-public personal information about you, which may include:

- Information we receive from you on account applications, such as your address, date of birth, Social Security Number, occupation, financial goals, assets and income;
- Information about your transactions with us, our affiliates, or others; and
- Information received from credit or service bureaus or other third parties, such as your credit history or employment status.

## **Categories of Parties to Whom We Disclose:**

We will not disclose information regarding you or your account with us, except that we may disclose under the following circumstances:

- To your authorized Financial Adviser and his or her manager;
- To our parent companies or affiliates, to the extent permitted by law;
- To entities that perform services for us or function on our behalf, including financial service providers, such as a clearing broker-dealer, investment company, or insurance company;
- To consumer reporting agencies;
- To third parties who perform services on our behalf;
- To your attorney, trustee or anyone who represents you in a fiduciary capacity;

- To our attorneys, accountants or auditors; and
- To government entities or other third parties in response to subpoenas or other legal process as required by law or to comply with regulatory inquiries.
- We do not sell customer lists or customer information to third parties.
- We may disclose non-public personal information about you in connection with the transfer of your account to another financial institution at your request or the request of your Advisory Representative. We permit Advisory Representatives that terminate their affiliation with us to make copies of their client files.\* If you do not want FSC Securities Corp. to disclose your non-public personal information with your Advisory Representative's new financial institution, please contact **FSC Securities Corp., Attn: Legal Department, 2300 Windy Ridge Parkway, Suite 1100, Atlanta, GA 30339.\***

#### **How We Use Information:**

Information may be used among the affiliate companies that perform support services for us, such as data processors, technical systems consultants and programmers, or companies that help us market products and services to you for a number of purposes, such as:

- **To protect your accounts** from unauthorized access or identity theft;
- **To process your requests** such as securities purchases and sales;
- **To establish or maintain an account with an unaffiliated third party**, such as a clearing broker-dealer providing services to you and/or FSC Securities Corp.
- **To service your accounts**, such as by issuing checks and account statements;
- **To comply** with Federal, State, and Self-Regulatory Organization requirements; and
- **To keep you informed** about financial services of interest to you.

#### **Our Security Policy:**

We restrict access to nonpublic personal information about you to those individuals who need to know that information to provide products or services to you and perform their respective duties. We maintain physical, electronic, and procedural security measures to safeguard confidential client information.

#### **Closed or Inactive Accounts:**

If you decide to close your account(s) or become an inactive customer, our Privacy Policy will continue to apply to you.

#### **Complaint Notification:**

Please direct complaints, questions, or issues regarding the Privacy Policy to: Chief Privacy Officer, One World Financial Center, 15<sup>th</sup> Floor, New York, NY 10281.

#### **Changes to This Privacy Policy:**

If we make any substantial changes in the way we use or disseminate confidential information, we will notify you.

\*If you reside part-time or full-time in a state that requires your affirmative consent before we provide your non-public personal information to certain third-parties – such as in connection with the transfer of your Advisory Representative to another financial institution – we will obtain such consent as required.”

## **ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS**

### **Client-Advisor Relationship**

You are encouraged to contact your Advisor with respect to any changes regarding your investment objectives, risk tolerance and requested restrictions with respect to management of your Program Account.

You should direct any questions that you have regarding the Program to your Advisor.

## **ITEM 9 - ADDITIONAL INFORMATION**

### **Disciplinary Information**

Not applicable. Neither we, nor any of our management people have been involved in any disciplinary events that are material to your evaluation of our Program or the integrity of our management.

### **Other Financial Industry Activities and Affiliations**

All Advisory Representatives that offer the Program to you are also FSC Representatives. Advisory Representatives may recommend that you purchase securities offered by FSC. If you purchase these products through them, they will receive normal commissions which may be in addition to your customary advisory fees. As such, Advisory Representatives may have an incentive to sell you commissionable products in addition to providing you with advisory services when such commissionable products may not be suitable. Alternatively, they may have an incentive to forego providing you with advisory services when appropriate, and instead recommend the purchase of commissionable investments, if they deem that the payout for recommending the purchase of these investments would be higher than providing management advice on these products for an advisory fee. Therefore, a conflict of interest may exist between their interests and your interests.

While FSC reviews security sales for suitability by an appointed supervisor, you should be aware of the incentives that Advisory Representatives may have to sell certain securities products and are encouraged to ask them about any conflict presented.

Please be aware that you are under no obligation to purchase products or services recommended by your Advisor, Advisory Representative or any FSC Representative in connection with providing you with any advisory program that they offer.

Program Accounts and general securities accounts for FSC brokerage customers are maintained and custodied on a fully disclosed basis by Pershing, LLC ("Pershing") which is both a registered broker-dealer and an investment adviser.

In addition to our role as Broker-Dealer and Investment Adviser, we have Related Persons (as defined below) that are:

1. other broker-dealers
2. investment companies
3. investment advisers
4. future commission merchants, commodity pool operators or commodity trading advisors
5. banking institutions
6. accounting firms
7. insurance companies
8. real estate broker/dealers

Related Persons are defined as entities that we control or control us or are under common control with us.

Your Advisor may have different financial industry affiliations and activities than those listed above. Please see the ADV Part 2A of your Advisor that will be provided to you for further industry affiliation and activity details and for any associated conflicts of interest.

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

We have adopted a Code of Ethics (the "Code") to address securities-related conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes our policies and procedures developed to protect your interests in relation to the following topics:

- The duty at all times to place your interests first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility;
- The principle that investment adviser personnel should not take inappropriate advantage of their positions;
- The fiduciary principle that information concerning the identity of security holdings and your financial circumstances is confidential; and
- The principle that independence in the investment decision-making process is paramount.

We will provide a copy of the Code to you or any prospective client upon request.

In limited circumstances, and in compliance with the Investment Adviser's Act of 1940, Section 206(3) and the Rules thereunder (collectively, the "Act"), we may perform principal or agency cross transactions as such activities are described in the Act.

Related Person(s) to us may have an interest or position in securities which may also be recommended to you.

Advisory Representatives, from time to time, may recommend investment products to you, including mutual funds, variable and fixed annuities, and other insurance products, sponsored, distributed, or managed by our Related Persons.

Examples of the above referenced follow:

1. Advisory Representatives recommend SunAmerica Funds which are available for use as described above within the Program and are managed by SAAMCo, a Related Person. A conflict of interest may exist to the extent the Related Person makes payments to us or Advisory Representatives as a result of recommending shares and securities offered by Related Persons.

2. AIG Federal Savings Bank, doing business as SunAmerica Trust Company (STC), is a Related Person who may act as trustee or administrator for certain employee benefit accounts, individual retirement accounts and other retirement or pension plan accounts. STC charges transactional and other fees for its services that are separate from any fees or services provided by us. STC may also act as custodian in certain Third-Party Advisory Services' programs or for certain managed accounts. While you are not required to use STC over other approved custodians or trust banks, you should be aware that a potential conflict of interest exists in our approving or recommending STC to the extent that STC earns fees in connection with services provided to you.

While FSC reviews security sales for suitability by an appointed supervisor, you should be aware of the incentives that Advisory Representatives may have to sell certain securities products and are encouraged to ask them about any conflict presented.

## Review of Accounts

Your Advisor periodically reviews your account. For further account review details, please see the ADV Part 2A of your Advisor.

## Client Referrals and Other Compensation

As Program Sponsor, we receive a portion of the Account Fee as described in Item 4 above. In addition, FSC may receive 12b-1 distribution fees paid by mutual fund sponsors and is also compensated through revenue sharing arrangements it maintains with certain third parties. Please see below for FSC's revenue sharing disclosure.

For further details on compensation and other economic benefits that your Advisor may receive, please see their ADV Part 2A.

## Revenue Sharing Disclosure

FSC Securities Corp. (FSC) maintains revenue sharing arrangements with certain mutual funds, annuities, life insurance, direct participation programs (DPPs), real estate investment trusts (REITs), 529 plan providers, and third party money managers. These sponsors have greater access to our advisors to provide training and other educational presentations and product information so that they can serve investors better. Please visit our Web site at [www.joinfsc.com](http://www.joinfsc.com) to see a list of sponsors who participate in these revenue sharing arrangements.

In addition to the customary sales charges, the sponsors make payments to FSC to participate in the program. All sponsors who participate in meetings may pay meeting fees of up to \$60,000. For mutual funds, including mutual funds available in retirement plans, FSC receives a payment of up to 0.25 percent (25 basis points) on all sales of mutual fund shares (the "Gross Sales Payment"). FSC may also receive an additional payment, paid quarterly, of up to 0.15 percent (fifteen basis points) per year of the assets under management held at FSC. FSC may also receive a payment of \$10 for mutual fund purchases or exchanges which may assist in offsetting a fee normally paid by advisors. For variable annuities, FSC receives a Gross Sales Payment of up to 0.25 percent (25 basis points). In addition, FSC may also receive an additional payment, paid quarterly, of up to 0.15 percent (15 basis points) per year of the assets under management. For fixed annuities, FSC receives a Gross Sales Payment of up to .10% (10 basis points). For variable universal life insurance, FSC receives a 6% marketing allowance on all paid first year commission target premium from all sources on permanent plans of life insurance (to include variable universal life, universal life, indexed universal life and whole life products). Any levelized first year commission or spread first year commission products will earn the 6% marketing allowance for the term of the spread commission (i.e.: 3 years, 5 years, etc.). For DPPs and REITs, FSC receives a Gross Sales Payment of up to 2 percent. For 529 plans, FSC receives a Gross Sales Payment of up to 0.125 percent (12.5 basis points). In addition, FSC may also receive an additional payment, paid quarterly, of up to 0.15 percent (15 basis points) per year of the assets under management. For third party money managers, FSC may receive up to 0.20 percent (20 basis points) per year of the assets under management or up to 20 percent of management fees earned on behalf of financial advisors of FSC. For specific information about payments from the sponsors, please see our website at [www.joinfsc.com](http://www.joinfsc.com).

Financial advisors of FSC do not receive additional compensation from FSC in connection with sales of certain sponsors' products as opposed to other sponsors, including some mutual fund families, insurance companies, DPP sponsors, REIT sponsors or third party money managers. In connection with sales of the sponsors' mutual funds, however, FSC often absorbs all or part of the nominal "ticket charge," which is normally borne by your advisor (up to \$15 per transaction).

Because of these revenue sharing arrangements, though they do not impact advisor compensation, advisors may prefer recommending products offered by a sponsor who is participating in the revenue sharing program over other mutual funds, variable products, DPPs, REITs or third party money managers available through FSC. You should feel free to ask your advisor how he or she will be compensated for any transaction involving a sponsor's products.

*This information was updated on October 12, 2010. FSC will update information regarding sponsors who participate in revenue sharing arrangements with FSC on its website on a regular basis. You can access this updated information, and our Disclosure Document For Mutual Fund and Variable Product, Real Estate Investment Trust, Direct Participation Program and Third Party Money Manager Investors at [www.joinfsc.com](http://www.joinfsc.com).*

## **Financial Information**

Our qualified Custodian, Pershing, maintains custody of your assets, the Program does not require prepayment of fees six months or more in advance and we exercise investment discretion in your Program Account as described in Item 4 above. We are well capitalized in full compliance with applicable regulations and do not foresee any financial conditions that may impair our fulfillment of reasonable obligations or contractual commitments to you.

## **ITEM 10 - REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not Applicable. We are an SEC registered investment adviser. We are not registered with any State Securities Authority.