

Affiliates utilize many sources of public information to include financial news and research materials including research provided by Morningstar, Inc. Affiliates may also review information made available by our home office due diligence staff, which reviews mutual funds, direct participation programs, variable annuity products, and third party money managers' performance and background.

Review and Research of Investment Offerings / Due Diligence (Third-Party Managers & Direct Participation Programs)

AIC conducts limited initial and annual evaluations of third party managers (who themselves are registered investment advisers). Such evaluations involve:

- A review of the third party manager's ADV Part 2A to ascertain, among other things, how the third party manager represents that it conducts its advisory business including the investment strategies it employs and methods it uses for calculating and reporting prior performance
- Review and evaluation of prior performance data supplied by the third party manager
- Verification that the third party manager's registration with the SEC/state is current

AIC conducts no independent verification regarding the accuracy or adequacy of such collected data or reported performance either during the initial review process or during subsequent annual reviews. Some advisers are audited by an independent accountant or other independent third party and, if so, AIC may be provided with that information.

AIC's agreements with the money managers reviewed may require additional fee payments by the money manager to AIC based on assets under management. The fee may vary but is generally not expected to exceed 5 basis points (.05%). This arrangement may, however, present a potential conflict of interest with those of advisory clients. It may present a financial incentive to AIC to provide favorable due diligence reviews in order to increase the asset base that it is paid on.

AIC also conducts due diligence on direct participation programs. Such programs may be sold by registered representatives of AIC for which such representatives earn a sales commission. Alternatively, such programs may also be recommended by advisor affiliates on a load-waived or net-asset-value basis in which case such advisor affiliates will not earn a sales commission but may charge an ongoing fee for assets under supervision. In certain instances, Advisory Affiliates may charge an ongoing fee on direct participation programs for which clients may have previously paid a commission, either to the same individual acting in his capacity as a registered representative with AIC or to another registered representative associated with a broker-dealer other than AIC.

AIC's selling agreements with the sponsors of these programs typically provide for the payment of due diligence and/or marketing allowances directly to the broker-dealer. These fees are over and above any selling compensation received by AIC in connection with the sales of these products and any advisory fees that may be associated with the investment. AIC retains 50 basis points, or ½% of these fees. To the extent that AIC receives due diligence and/or marketing allowances in excess 50 basis points, such excess is typically shared with the selling representative or recommending advisor affiliate.

Insurance Strategies

Some of our Affiliates offer financial planning. By its nature, financial planning looks to the long term. After Affiliates evaluate the client's short-term cash needs and emergency fund, they design investment strategies to help the client achieve his or her financial goals. Some Affiliates offering planning services and may also design insurance strategies. These insurance strategies may be limited to life, health and disability, and may or may not include casualty insurance (e.g. homeowner's, auto, liability, etc.). Clients who are not offered insurance strategies, or given limited types of insurance advice through the Affiliate, should seek this advice from outside insurance firms.