

The Independent Adviser Corporation's



New York State Investment Advisor Statement

Forms

Investment Advisor NY-ADV-1

Addendum #1

Sample of Money Management Client

INVESTMENT ADVISOR STATEMENT

TO: ATTORNEY GENERAL OF THE STATE OF NEW YORK
20 Broadway, New York, NY 10271

The undersigned hereby (check applicable box)

Notifies you of its intention to engage in the Investment Advisory business within or from the State of New York commencing on or about _____ (Advisors submitting only a notification may submit a current SEC Form ADV in lieu of answering questions "3" through "23".)

Makes application to Register as an Investment Advisor in the State of New York for the calendar year 2001. A check payable to the Office of the Attorney General in the sum of \$200 is attached. Check here if renewal application .

Makes application for Interim Registration as an Investment Advisor in the State of New York for a period of 90 days. A check payable to the Office of the Attorney General in the sum of \$200 is attached.

The following information is hereby provided in accordance with the provisions of Section 359-eee of the General Business Law of the State of New York and the regulations issued thereunder:

PART I. BACKGROUND OF ADVISOR

1. Name of Advisors:

- a. State full name of advisor entity: The Independent Adviser Corporation
- b. State trade names or publication names used by advisor: The Independent Adviser Corporation, The-Adviser.com, TheAdviser.com, 401k-Adviser.com, 1800Adviser.com and The-Adviser.com Alert

2. Principal place of business of advisor is at 9 Willets Avenue, Syosset, NY 11791

It has been at this location for 3 years and does does not share this space with any other entity. (If space shared, indicate with whom on separate sheet). The telephone number at this location is (516-682-8279) which number is is not shared with any other entity.

3. The advisor does does not maintain other offices or facilities. If it does, state where. Offices are maintained at the Long Island Technology Center, 3500 Sunrise Highway, Suite D 118, Great River, NY 11739

4. Is advisor engaged in any business or profession, directly or indirectly, other than that of an investment advisor?

yes; no. If yes, on a separate sheet describe the nature of each such other business and indicate what principal business of the advisor is. If the principal business is other than that of an investment advisor, the balance of the questions need be answered only as they relate to the advisor portion of such business (although financial statements may be consolidated). Check here if this option exercised .

5. The advisor is a corporation; partnership; sole proprietorship; organized under the laws of New York State on (date) May 28, 1998

6. Has the advisor acquired, merged, or otherwise succeeded to the business of another investment advisor within the last five years? yes no. If yes, provide details.

7. Has the advisor, within the last five years, discontinued business, changed its name or merged with another company? [] yes [**X**] no. If yes, provide details.

8. The following is a complete list of the names and addresses of all officers, directors, principals, partners, controlling persons, and any other person or persons responsible for the overall determination of the advisor's investment policy. For each key person on such list, also provide a complete employment and business affiliation record for the past 5 years, including periods of self-employment and unemployment.

See Addendum #1

9. Other than the persons listed in the answer to question 8, how many employees does the advisor have?

5

Indicate the approximate number in the various categories set forth below. Indicate if part-time.

Administrative: _____ Printing & Shipping _____

Clerical: _____ Sales: _____

Maintenance: _____ Other Specify: _____

Investment Analysis **5 (PT)**

10. State which of the key persons listed in the answer to question 8 own, or otherwise hold, directly or indirectly, an equity or ownership position in the advisor. Differentiate between those with less than 10% ownership, those with between 10% and 25%, those with between 25% and 50%, and those with more than 50%

Michael D. Porcelain - more than 50%

11. Does any other person or entity other than those named in item 10 hold an equity or other ownership interest in the advisor [] yes [] no. If yes, provide the same information as called for in questions 8 and 10 as to each such person or entity not heretofore listed. If there are more than 10 such persons or entities, list only the 10 largest.

See Addendum #1

12. The advisor [] is [] is not registered with the SEC as an Investment Advisor. If registered, the advisor [] does; [] does not use the title "Investment Counsel" under Section 208(c) of the Federal Investment Act of 1940.

13. The Advisor is licensed or registered to do business as such in the following states:

The Company believes it is not required to be licensed or registered in any other state.

PART II. BACKGROUND OF PRINCIPALS AND EMPLOYEES

14. State whether any individual named in Questions 8 or 11, or any entity in which such individual was a principal:

- a. Has ever been known by any other name? [] yes [] no
- b. Has ever been convicted of a felony or of any crime involving securities or investments? [] yes [] no.
- c. Has ever been permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction from acting as an investment advisor, underwriter, broker or dealer or as an affiliated person or employee of any investment company, bank, or insurance company or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase or sale of any securities [] yes [] no.
- d. Has ever been found by the SEC to have willfully made any untrue statement of a material fact in any application for registration as an investment advisor, or in any report required to be filed with the SEC under the Investment Act of 1940, or to have willfully omitted to state in any such application or report any material fact which is required to be stated therein? [] yes [] no.
- e. Has ever been censured, barred or suspended by the SEC? [] yes [] no.
- f. Has ever been the subject of injunction, restraining order, revocation of a license to practice a trade, occupation or profession or denial of an application to renew same or any other disciplinary action by any court or governmental department or agency? [] yes [] no.
- g. Has ever been adjudicated a bankrupt, made a general assignment for the benefit of creditors, or been the subject of a judicial reorganization in any jurisdiction? [] yes [] no.
- h. Has any unsatisfied business-related judgments outstanding against them? [] yes [] no.

If the answers to any of the above question is "Yes", state full particulars giving names, dates, nature of proceedings, title and location of public authority involved, circumstances and final disposition.

PART III. OPERATIONS OF THE ADVISOR

15. On a separate sheet broadly set forth the overall procedure under which advisory recommendations or ratings are formulated, including the preliminary and final studies, the preliminary and final recommendations and the ultimate decision making procedure.

See Addendum #1

16. Set forth the names of each of the key persons participating in the decision making procedure outlined in your answer to question 15. As to each said person, set forth their education, including degrees or business courses taken, and their business or employment history for five years (unless provided in answer to item 8).

Answer is provided in Item #8

17. As of the date of this statement, the advisor has approximately **248 clients (including those to the The-Adviser.com Alert)** located in New York State.

18. a. Does the advisor make specific recommendations or assign ratings on securities or commodities? [**X**] yes; [] no.

b. Does the advisor give advice to clients as to the investment of funds on the basis of analysis of the individual needs of the clients? [**X**] yes; [] no.

c. Does the advisor issue periodic publications on a subscription basis? [**X**] yes; [] no.

d. Does the advisor issue special reports or analysis? [**X**] yes; [] no.

e. What are the general methods of securities analysis employed by the advisor? Indicate the Importance of each. **General methods that are both important are relative value and technical analysis**

f. What are the principal sources of information for the advisor's research? Indicate the importance of each. **SEC Public Filings (very important) and Trade Magazines (Important)**

g. To what extent and how does the advisor verify or test the accuracy of externally provided information and data? **The Company relies on accuracy of SEC information.**

h. How many advisory services does the advisor subscribe to (on either a paid or exchange basis)? **10**

i. Does advisor publish and maintain a list of recommended or rated securities or commodities? [**X**] yes [] no. If yes, what is the approximate size of such list? **Top Ten Yearly Picks** How frequently does advisor add to, delete from, or review such recommended or rated list? **ANNUAL** What is the maximum length of time a recommendation or rating can be so listed without a comprehensive, mandatory review? **ANNUAL**.

j. Set forth a schedule of the advisor's fees and charges: attach a sample form of contract, if any.

SEE ADDENDUM #1

19. Does advisor or any person named herein have discretionary authority to make any of the following determinations without obtaining the consent of the client before the transaction is effected?

- a. Whether the transaction is to be one of purchase or sale [**X**] yes; [] no.
- b. Which security commodity is to be bought or sold [**X**] yes; [] no.
- c. The total amount of the security or commodity to be bought or sold [**X**] yes; [] no.

20. Does advisor or any person named herein have custody or possession, or authority to obtain custody or possession of:

- a. Securities of any client [] yes; [**X**] no.
- b. Funds of any client [] yes; [**X**] no.

21. Does advisor's business consist of or include any type of investment advisory service not described above? [**X**] yes; [] no.

If yes, on a separate sheet describe in detail any other type of investment advisory service performed and the basis of recommendations made. **SEE ADDENDUM #1**

22. Does advisor:

- a. As principal, sell securities or commodities to or buy securities or commodities from any client to whom it has recommended such purchase or sale? [] yes; [**X**] no.
- b. As broker (agent) for any person other than the client, sell securities or commodities to or buy securities or commodities from any client to whom it has recommended such purchase or sale? [] yes; [**X**] no.
- c. Recommended the purchase or sale of the securities of any company wherein the advisor or its principals have an ownership position greater than 1%? [] yes; [**X**] no.
- d. Or any person named herein receive direct or indirect compensation or other benefits contingent upon the recommendation of a particular security? [] yes; [**X**] no.

23. Does advisor have agreements or understandings either written or oral, with any broker-dealer, which would require a client to transfer their account(s) to said broker-dealer? [] yes; [**X**] no. If yes, name broker and set forth the agreements as understood. **Clients Can Choose Their Own Broker-Dealer.**

PART IV. OTHER INFORMATION

24. The person to contact with respect to legal matters relating to this application is Michael D. Porcelain, President, Telephone: (516) 682-8279.

25. The person to contact with respect to accounting matters relating to this application is Michael D. Porcelain, President, Telephone: (516) 682-8279.

26. All other matters relating to this application should be referred to is Michael D. Porcelain, President, Telephone: (516) 682-8279.

27. The advisor's fiscal or calendar year ends December 31

Attached is a copy of advisor's most recent annual balance sheet. Has this requirement been met? [] yes; [] no. If no, explain on a separate sheet.

28. On an initial filing, if the most recent financial statement is more than 90 days old, attached is an interim balance sheet not more than 90 days old. Check if not applicable [].

THE UNDERSIGNED HEREBY CERTIFY THAT THE ABOVE INFORMATION IS
TRUE AND CORRECT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF

(all principal officers, managing partners or other principals of the advisor shall sign. Where the advisor has more than five such principals, the chief executive officer, the chief operating officer and the chief financial officer may sign on behalf of all.)

Print name	Title	Date	Signature
Michael D. Porcelain	President	07/31/00	

The Independent Adviser Corporation
Balance Sheet
July 31, 2000

ASSETS

Cash	<u>\$140,000</u>
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Liabilities and Shareholder Equity

Liabilities	\$ 40,000
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Equity	100,000
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Total Liabilities and Shareholder Equity	<u><u>\$ 140,000</u></u>
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I do hereby certify that the above is a true and complete balance sheet.

Michael D. Porcelain
Signature

President
Title

7/31/00
Date

ADDENDUM 1 TO FORM NY-ADVI-1

QUESTION NUMBER 4

The Company provides business consulting, financial planning and prepares income tax returns. The Company operates the World Wide Web site known as www.The-Adviser.com and publishes The-Adviser.com Alert and e-mail newsletter to clients. The Company operates the World Wide Web Site known as www.1800Adviser.com and provides marketing services on behalf of a network of independent fee-based financial advisers.

QUESTION NUMBER 8

Michael D. Porcelain, President - Michael D. Porcelain is a Certified Public Accountant. He holds a *M.S. Degree in Accounting* and a *MBA* from the School of Management at Binghamton University. Prior to his graduate work, Michael earned a B.S. Degree in Business Economics from the State University of New York. He is a member of the American Institute of Certified Public Accountants ("AICPA"), a member of the Personal Financial Planning Division of the AICPA, a member of the New York State Society of CPA's and is a lifetime member of the American Association of Individual Investors. Prior to his current position which he has held for the past two years, Michael was a Manager in the Technology Industry Group and in the Corporate Finance - Mergers and Acquisition Group of PricewaterhouseCoopers LLP. Prior to Pricewaterhouse Coopers LLP, Michael worked for KPMG Peat Marwick, an international accounting firm where he specialized in providing assurance and business consulting services to Manufacturing, Retail and Distribution Companies.

Michael is also the sole shareholder of The Independent Adviser Corporation, a Delaware based company.

QUESTION NUMBER 11

MS Web Ventures - is an incorporated business that invests in emerging enterprises. They have no determination of any investment policy or operating decision.

Paul Pilao - individual shareholder who currently works for a Big Five Consulting Firm. He has no determination of any investment policy or operating decision.

Dean Zambelli - individual shareholder who currently works for a large multi-national technology company as a Finance Director. He has no determination of any investment policy or operating decision.

Jay McConie - individual shareholder who currently operates a small consulting firm. He has no determination of any investment policy or operating decision.

QUESTION NUMBER 15

The Company's primary research objective is to find value based or growth stocks that provide potential for superior capital appreciation. We seek investment opportunities in equities where earnings results suggests future improvement in a stock's valuation or where asset-rich companies are selling at a discount to their asset value. Prior to recommending an individual stock to a client, most clients are required to fill out questionnaire. This questionnaire details personal and family information, financial planning goals and objectives, investment objectives, personal objectives, assets, liabilities, insurance coverage, income, plans for retirement, estate planning, record-keeping and taxes. After completion and discussion with the client, the Company considers several factors including individual objectives, risk tolerance levels and time horizons prior to recommending specific investments.

Question Number 18 J.

<u>Type of Service</u>	<u>List Price</u>	<u>Individually Negotiable</u>
Money Management	1 to 3 % of Assets	Yes
Comprehensive Financial Plans	\$3,000	Yes
Other Services - On-Line Question	\$20	No

See attached copy of sample contract.

This agreement confirms The Independent Adviser Corporations' ("we") and the Clients' ("you") understanding of the terms and objectives of our appointment and that you understand the nature and limitations of the services that we provide.

1. Appointment and Duties. To provide such management services, you hereby appoint The Independent Adviser Corporation as attorney-in-fact with discretionary trading authority to manage your assets. We are granted authority to open securities accounts and give instructions to buy, sell, or transfer stocks, bonds, mutual funds, and other securities or financial instruments on your behalf. This authority does not grant us the right to take custody or possession of your funds or securities, except for payment of advisory fees, which may be deducted from your account. We may take any action or non-action as we deem appropriate, without any further consent from you, and we may exercise our discretion as it pertains to your investments as fully and freely as you may do as owner. A separate Limited Power of Attorney agreement will be signed as required by the custodian of your choice. You acknowledge that you are at least 18 years of age and have legal capacity to enter into this agreement. If this is a joint account, then obligations under this agreement shall be joint and several.

2. Custodial and Broker Services. We currently recommend that our clients use the custodial and broker services of Waterhouse Investor Services, Inc. ("Waterhouse"), a wholly owned subsidiary of The Toronto Dominion Bank whose stock trades on the New York Stock Exchange under the symbol TD. If you utilize Waterhouse, your account will be protected up to \$25,000,000 by the Securities Investor Protection Corporation (SIPC) and a private insurer. SIPC covers \$500,000 (\$100,000 in cash). The additional \$24,500,00 is covered by National Union Fire Insurance Company, a subsidiary of American International Group. This insurance does not cover the loss of investment principle. You will receive prospectuses, confirmation and monthly statements from the broker and/or the custodian processing your transactions. You understand that our recommendation of Waterhouse was based on our judgment that Waterhouse provides the range and quality brokerage services necessary to obtain the best available price and most favorable execution to you. Our basis for selecting Waterhouse is based on the fact, in part, that they have capable brokers or traders, competent block trading coverage, good communication, ability to position, retain distribution and underwriting, use of automation, research contracts, arbitrage skills, administrative ability, or provision of market information relating to securities. Waterhouse may not offer the lowest available commission on each trade, or at all, however, in our best judgement, we believe that there would be a material risk that the net cost or proceeds from your investment transactions might be less favorable than obtainable elsewhere. You understand that you can choose your own custodial broker.

3. Client's Financial Circumstances and Market Risks. You agree to provide information regarding your financial circumstances, investments, income, tax situation, estate plan, and other pertinent facts in order for us to perform services under this agreement. You agree to keep us informed of any changes in your financial circumstances, including but not limited to changes or loss in employment, assets, liabilities, net worth, family health or marital status. You may communicate these changes to us orally, by facsimile or by regular, registered or certified mail. If a dispute as to delivery of this communication arises, changes in financial circumstances will not be considered delivered to us unless it occurred by hand, registered or certified mail. You acknowledge the fact that we cannot adequately provide the services incorporated herein unless you provide such information regarding your financial circumstances completely and candidly. You acknowledge that the value of our analyses and recommendations depends entirely upon the adequacy and accuracy of the information provided by you. You acknowledge that we have discussed the various risks involved of our management of your investment portfolio. These risks, include, but are not limited to investment risk, volatility risk, inflation risk, market risk, beta risk and changes in law. You understand that management of your investments is not a guarantee that you will earn a certain amount or that you will be able to meet your financial goals. You acknowledge that we perform investment advisory services for various clients. You agree that we may give advice and take action in the performance of our duties with respect to any of our other clients which may differ with respect to our own or your accounts.

4. Confidentiality. Upon your written approval, we can obtain such information from your accountant, attorney or other advisors and allow us to rely upon such information without verification and assume that said information is complete and candid. All information and advice furnished by any parties to the other, including their agents, attorneys, and employees, shall be treated as confidential and not disclosed to third parties except as agreed upon in writing or required by law. You

expressly permit us to discuss such information among members of our company, our affiliates, successors and potential successors.

5. Transactions Initiated By Client. If you initiate transactions on your own, you are responsible for all transactions you execute, the cost of their execution, and their impact on your overall investment portfolio. If you initiate transactions on your own, commission costs may be higher or lower than if you utilize our service. If you instruct us to liquidate or initiate a transaction that we believe is not appropriate, we will require a written statement delivered by hand, registered or certified mail. Without such written instructions, we can refuse to initiate the transaction and immediately terminate our agreement and we will not be responsible for principal loss whether or not it was caused by our intentional delay.

6. Legal Advice and Limit of Liability. You will indemnify and hold us, our affiliates, directors, officers, and employees, successors, assignors and assignees, harmless from all losses, claims, damages, liabilities and costs, including attorney fees, which we may incur by relying on your representations. We will not be held responsible for any loss incurred by reason of any act or omission of you, a custodian, or any broker-dealer. You understand that all investments including stocks, bonds and mutual funds are neither FDIC-insured nor guaranteed by the U.S. Government and are not deposits or obligations of, or guaranteed by, any bank, or us, and are subject to market risks including possible loss of principal. You acknowledge that we obtain a wide variety of publicly available information from numerous sources including SEC Filings, Value Line, Standard & Poor's, Morningstar and various newspapers and periodicals and that we do not verify such information, and that we do not claim to have sources, of inside or private information. **We do not guarantee the investment performance or results of any recommendation or advice.** You bear the risk of all investment losses even if they were recommended by us to you. You acknowledge and it is agreed that we are not qualified to and will not render any legal advice nor prepare any legal documents for use in connection with your financial, investment or estate plans. You are encouraged to obtain legal services from professional sources to implement any of our recommendations or consult with your attorney as it pertains to this agreement.

7. Fees and Lien on Account. You agree to pay our fees as designated in Exhibit A of this Agreement. You are responsible for the costs of all transaction costs including stock and bond trades, transfer fees and for any fees including load and 12-b-1 fees which are charged directly by the mutual fund companies. If you utilize Waterhouse, commissions will be at our negotiated discounted rate or if a dispute arises, at their published rate. You agree that we can liquidate your investments to the extent necessary to pay our fee should insufficient cash not be available in your account. This may result in principal loss of which you bear the responsibility for.

8. Commissions and Soft Dollars. You understand that as your investment manager, we may obtain research services, referrals of new clients, use or receipt of technology including software and hardware, and use or receipt of other services and products, from third party companies which may be the same companies that we recommend you use or invest in. In those cases, we acknowledge that our investment recommendation was based upon the fact that the investment was appropriate for you and not because we received any services from said companies. In certain instances, we may determine that you may benefit from an investment product or financial instrument whereby that vendor desires to pay us a direct commission. In these instances, we will disclose to you in writing, the commissions to be charged and we will reduce our fee accordingly or credit your account.

9. Technologies Limitations. You understand that we and your broker utilize various technologies to manage your investments including the Internet. Although we take reasonable steps to ensure security of your personal information, we are not responsible for the failure of any technology or encryption service that we use that results in a breach of security. We pledge that we will take all steps to ensure that your personal information is not comprised. You acknowledge that any communication to us or you via the use of e-mail is inherently not secure and that we can take no steps to ensure that your information is private.

10. Transfers, Assignments, Termination and Other. We retain the right to transfer our obligations, rights and interests herein under this agreement. If we assign the contract, we must obtain consent from you. This agreement is binding on all heirs, executors, administrators, legal representatives, successors and assigns of the respective parties. Either you or we may terminate this agreement upon written notice to the other. If this agreement is terminated prior to completion of advisory services, you agree to pay all fees for services rendered and we agree to refund all unearned prepaid fees. You

have the right to rescind this agreement with no penalty within five business days from the date you signed this contract. By signing this agreement, you acknowledge that you have received a true copy of the investment advisory statement (form NY-ADV-1) and all exhibits as filed with the Department of Law.

11. Disputes between Parties and Legal Provisions. This agreement represents the complete agreement of the parties with regard to the subject matter and supersedes any prior understanding of agreements, oral or written. This agreement may be amended or revised only by an instrument signed by The Independent Adviser Corporation and you. This agreement and its enforcement shall be governed by the Laws of the State of New York, provided that nothing herein shall be construed in any manner inconsistent with any rule, regulation or order of the Securities and Exchange Commission promulgated thereunder. Any controversy or claim arising out of or relating to this agreement or to construction or breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Judgment of the award rendered by the arbitrators shall be final and may be entered in any court having jurisdiction thereof. You agree that all arbitrator hearings can be heard in the State of New York. You acknowledge that we are entitled to reasonable fees and reimbursement of out of pocket expenses should you desire our presence at any court, administration, legal hearing or similar venue. If any provision or condition of this agreement shall be held to be invalid or unenforceable by any court, or regulatory or self-regulating body, such invalidity or unenforceability shall attach only to such provisions or condition. The validity of the remaining provisions and conditions shall not be affected thereby, and this agreement shall be carried out as if such invalid or unenforceable provision or condition were not contained herein.