

## OCEAN PARK ASSET MANAGEMENT, INC

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### FORM ADV PART 2 BROCHURE

This brochure provides information about the qualifications and business practices of Ocean Park Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 310/452-1887 or [www.OceanParkAM.com](http://www.OceanParkAM.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.

Ocean Park Asset Management, Inc. is a Registered Investment Advisor. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.



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## ADVISORY BUSINESS

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Ocean Park Asset Management, Inc. (Ocean Park) is a federally regulated registered investment advisor. Ocean Park and its employees are subject to the rules of the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940, and subject to the anti-fraud provisions of the state jurisdictions. Ocean Park registered as an investment advisory firm in February 1993.

### ■ Advisory Service

Ocean Park manages investment accounts for a quarterly management fee for clients of unaffiliated Financial Advisors and shares the fees with those advisors or their firms.

The client grants Ocean Park a limited power of attorney authorizing us to create and manage an investment account using only no-load, load-waived and institutional class shares of publicly-traded mutual funds, and to transact purchases and sales in that account on their behalf. (To a limited extent, we perform comparable monitoring and risk management services for mutual fund "clones" held through variable annuity products). We purchase funds in a very wide variety of asset classes, including, but not limited to, domestic and foreign stock, bond and commodity funds, as well as currency and real estate funds.

Through the use of proprietary risk-management disciplines, Ocean Park tracks daily every fund held in client accounts. When a given holding declines enough to give a "sell" signal under our proprietary disciplines, we move all or a portion of that holding into a money market or similar "safe-haven" fund. When our system gives a "buy" signal, we move assets into that fund unless we have made other choices in the interim.

### ■ Principals

Kenneth L. Sleeper, MBA, PhD and David C. Wright, JD, are the beneficial owners (through family trusts), officers and directors of Ocean Park. Mr. Frank A. Barbera, Jr., CMT, Executive Vice-President, is co-portfolio manager with Dr. Sleeper and Mr. Wright.

### ■ Statement of Investment Goals

The investment goals for our managed accounts are:

1. To limit the downside risk of each overall, diversified account to 4%-5% even in a very adverse month or quarter in the investment markets; and
2. Generally, to target an average annual total return of 9% or more after all fees.

While there is no assurance that these goals can always be achieved, we believe that they are realistic based on our documented historical performance results.

## ■ Investment Programs

Ocean Park's current minimum for a new client relationship is \$100,000 per household. New clients may choose from one of the following investment programs:

### 1. **Balanced Program**

The Balanced Program is globally diversified among 8-20 mutual funds selected (and periodically upgraded) by the Managing Directors. The overall asset allocation of the program as well as the specific fund holdings may change at any time.

### 2. **Conservative Program**

The Conservative Program is also globally diversified among 8-20 mutual funds but with an emphasis on various types of bond funds selected (and periodically upgraded) by the Managing Directors. The overall asset allocation of the program as well as the specific fund holdings may change at any time.

### 3. **High Yield Corporate Bond Program**

The High Yield Corporate Bond Program generally holds 3-15 high yield corporate bond funds and/or money market or similar "safe-haven" funds selected (and periodically upgraded) by the Managing Directors.

A percentage of most Balanced and Conservative Program accounts is invested in the Sierra Core Retirement Fund (Core Fund) and the Sierra Strategic Income Fund, which are managed by Wright Fund Management, LLC (WFM). Each Fund is registered as a series trust of Northern Lights Fund Trust, an investment company registered under the Investment Company Act of 1940. Mr. Wright is the Managing Member and Dr. Sleeper and Mr. Barbera participate in most investment management decisions. Dr. Sleeper and Mr. Wright each own a 50% beneficial interest (through family trusts) in WFM. A client may choose to "opt out" of holding a position in either Fund.

To the extent that an Ocean Park account holds a position in the Sierra Funds, the quarterly investment management fee will be reduced by an amount equal to the expenses within these Funds for that fraction of the Ocean Park account.

### 4. **Tax-Deferred Investment Program**

The Tax-Deferred Investment Program is composed of 6-10 mutual fund "clones" which are investment options available through the Prudential Variable Annuity. The investments are selected (and periodically upgraded) by the Managing Directors.

## ■ Assets Under Management

As of December 31, 2011, the assets under our management on a discretionary basis were \$236,074,800.

## FEES AND COMPENSATION

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### ■ Standard Fee Schedule

Our fee schedule is based on the total household account value and is non-negotiable. The investment management fee covers all account, custodial and transaction expenses. Fees are debited quarterly from the account(s) specified by the client or the client may choose to receive a quarterly bill. Ocean Park receives no other compensation, commissions or service fees. The investment management fee is calculated as follows:

For the first \$500,000: 0.60% of the account value initially and at the start of each calendar quarter thereafter.

From \$500,001 to \$2,000,000: 0.45% of the account value initially and at the start of each calendar quarter thereafter.

Client relationships of more than \$2,000,000 or more: 0.30% of the account value initially and at the start of each quarter thereafter.

Accounts that hold the Sierra Core Retirement Fund and/or the Sierra Strategic Income Fund will have their quarterly Ocean Park investment management fee reduced by an amount equal to the expenses within these Funds for that fraction of their Ocean Park managed account.

### ■ Incentive Fee Schedule

For accounts over \$1,000,000, at our option, we may offer an incentive fee schedule (which is also optional to that client) in compliance with applicable Federal (Section 205-3 of the Investment Advisors Act of 1940), and state regulations. We earn no fee unless, on a cumulative basis for at least the prior 12 months, the Managed Return exceeds the Benchmark Return; our fee is then 25% of any cumulative excess over the Benchmark Return. "Benchmark Return " is the 91-day Treasury bill rate plus 1% annualized.

### ■ Additional Expenses/Fees

On occasion, the Managing Directors may purchase a mutual fund for client accounts that has a short-term redemption fee. If we receive a "sell" signal in that fund during the specified redemption period, we will sell all, or a portion of the fund. This action will result in a fee that is debited directly from the client's account.

## ■ Termination

A client may terminate our investment advisory services at any time upon written notice (or telephone or verbal notice, in our sole discretion) and we will provide a pro-rata refund of that quarter's fee, less any actual costs we incur upon termination (typically about \$400). The account custodian, TD Ameritrade Clearing, Inc. (TDA), may charge fees for accounts that are transferred "in-kind" to another custodian.

## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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As shown in Fees and Compensation, Ocean Park offers to certain qualified clients, an Incentive fee schedule (in compliance with applicable Federal (Section 205-3 of the Investment Advisors Act of 1940) and state regulations as an alternative to our Standard fee schedule. Hypothetically, there is potential for a conflict of interest when a portfolio manager earns an incentive fee; the manager may be inclined to select higher risk investments in the hope of earning greater returns and thus earning higher income. At Ocean Park, we make no distinction among client accounts based on their fee schedule. All Ocean Park client accounts in the same program are managed in exactly the same way.

## TYPES OF CLIENTS

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We provide investment management services to retirees and other conservative investors. Accounts are typically registered as individual or joint, as IRA's, as retirement plans such as, profit-sharing and defined benefit pension plans, as charitable foundations, as non-profit and for-profit corporations and as estate trusts.

Our current minimum for a new client relationship is \$100,000 per household, and \$50,000 per account registration.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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### ■ Methods of Analysis

Ocean Park uses proprietary, analytic approaches that include analysis of economic, fundamental, charting, cyclical and other technical data. We use websites, newsletters, financial newspapers, computer databases and government publications among other sources to obtain financial information in order to analyze a wide variety of asset classes, mutual funds and ETFs.



We use several software programs to track and rank asset classes and funds with a view to creating portfolios that are likely to be productive, yet have overall low volatility due to moderate internal correlations. We also consider fundamentals in order to invest in asset classes that appear to have upside potential that does not appear to already be fully exploited.

## ■ Investment Strategy

Our investment strategy employs a multi-asset diversification strategy in order to limit downside risk as well as to seek opportunities to enhance absolute return. The portfolios are constructed by the Managing Directors who create an asset allocation responsive to current market conditions, select no-load, load-waived and institutional mutual funds to populate each asset class allocation and then monitor each fund daily.

We are active managers; we do not employ a passive, "buy and hold" strategy. When our risk-management discipline gives a "sell" signal, we will move all or part of the client's assets temporarily into a money-market or similar "safe-haven" fund. When our discipline gives a "buy" signal, we move assets back into the same fund unless, in the interim, the Managing Directors have identified a more attractive fund.

This strategy is applied to all accounts in all investment programs. Our strategy is not designed to buy at the bottom or to sell at the top of the market. Rather, we endeavor to participate in a substantial part of any sustained up-trend as well step aside during most of a sustained downtrend.

Since the investment markets rise and fall in irregular patterns, most holding periods are less than one year, and on some occasions may turn out to be as brief as 20 days or less. Our management approach typically results in being in and out of a particular fund twice each year, on average. As a result, taxable accounts may incur significant short-term capital gains and losses.

## ■ Risk of Loss

Performance of individual client accounts during future periods will definitely vary. Some months and some quarters will result in negative performance; indeed, some future years may have negative performance.

Using our proprietary risk-limiting disciplines, our private managed accounts have weathered the significant market declines of the unusually challenging last decade very well. However, past performance is no guarantee of future results.

## DISCIPLINARY INFORMATION

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Since inception, Ocean Park Asset Management, Inc. and its affiliates have had no legal or disciplinary events to report that are material to a client or prospect's evaluation of our firm's advisory business or our management integrity.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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Ocean Park Asset Management, Inc. (Ocean Park) has two affiliates, which are also Registered Investment Advisors: Sierra Investment Management, Inc. (Sierra), and Wright Fund Management, LLC (WFM).

For a quarterly management fee, Sierra manages private investment accounts for clients.

WFM manages the Sierra Core Retirement Fund and the Sierra Strategic Income Fund. Each Fund is registered as a series trust of Northern Lights Fund Trust, an investment company registered under the Investment Company Act of 1940. Mr. Wright is the Managing Member and Dr. Sleeper and Mr. Barbera participate in most investment management decisions. Mr. Wright and Dr. Sleeper each own a 50% beneficial interest (through family trusts) in WFM.

A percentage of most Sierra and some Ocean Park client accounts is invested in the Sierra Funds. To the extent that these client accounts hold positions in these Funds, the Sierra and Ocean Park quarterly investment management fee is reduced by an amount equal to the expenses within these Funds for that fraction of the Sierra or Ocean Park account.

Ocean Park reimburses Sierra for certain administrative fees and business expenses.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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### ■ Code of Ethics

Our Code of Ethics has been adopted pursuant to the requirements of rule 204A-1 under the Investment Advisors Act of 1940. A complete copy of our Code of Ethics is available upon request to any client or prospective client.

Our philosophy states that the client's interest is always foremost; we will always strive to do what is right for the client.

## ■ Participation in Client Transactions

Ocean Park Asset Management, Inc. (Ocean Park) and its personnel, may, on occasion, buy and sell for their own accounts some of the same mutual funds utilized in Ocean Park managed accounts, and mutual funds or ETF's used in the Core Fund or the Strategic Income fund. There is no possible conflict with client transactions as pertains to mutual funds since they are priced daily after the markets close. As to ETF transactions, trading shortly ahead of clients (front-running) is prohibited. Any such person shall be "last in" and "last out" for the trading day when their trading occurs in close proximity to client trades. In addition, compliance policies are in effect so that no such transactions will affect prices to the managed accounts or to either Fund.

Moreover, although the SEC will not permit either Sierra Fund to waive its internal expenses for Ocean Park clients whose managed accounts hold Fund shares, those clients will have their Ocean Park quarterly investment management fees reduced by an amount equal to the expenses within both Funds of that fraction of their Ocean Park accounts.

All access persons (David C. Wright, Kenneth L. Sleeper, Frank A. Barbera Jr., P. Joy Bunzel, Deann Kato and Marshall Quan) are required to disclose all relevant personal securities holdings upon commencement of employment and annually thereafter. In addition, quarterly reports of personal securities transactions must be submitted whether or not any transactions have occurred. These reports are reviewed to identify potential conflicts of interest; if a conflict is identified, steps will be taken to address such a conflict.

We strive not to violate our fiduciary responsibility to our clients in any way.

## BROKERAGE PRACTICES

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Neither Ocean Park nor our affiliates select or recommend broker-dealers for commission-based client transactions.

Neither Ocean Park nor our affiliates receive research or other products or services in connection with client securities transactions ("soft dollar" benefits).

Neither Ocean Park nor our affiliates have any economic relationship with a broker-dealer that creates any type of material conflict of interest.

## REVIEW OF ACCOUNTS

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Each client account is reviewed at least once per quarter by Mr. Wright, Dr. Sleeper, Mr. Barbera or a supervised person and upon request from the client or the client's Financial Advisor.

TD Ameritrade Clearing, Inc. (TDA), the independent custodian of most Ocean Park accounts, provides written confirmation to all clients of each transaction in their account, usually within a week. TDA also provides a monthly statement to each client showing all current positions and all transactions that have occurred during that month. Variable annuity companies provide similar monthly or quarterly statements detailing activity within the account for that time period.

Each client can opt to receive trade confirmations and/or monthly account statements by email rather than US postal delivery. Such transactions include confirmation of an account opening, each transaction that occurs in the account and each addition to or withdrawal from the account by the client. In addition, each client can, if they so choose, view their TDA account(s) 24/7 on the Internet.

Each quarter, Ocean Park mails a current position report to each Ocean Park client. This report identifies all current holdings in the account, the number of units, the price per share and the total value for each position. In addition, quarterly, Ocean Park also mails a statement showing the calculation of the client's investment management fee.

During client review meetings, or upon verbal or written request, Ocean Park provides performance reports for the client's account(s).

For taxable accounts, Ocean Park provides a report annually (generally by mid-February) of the capital gains/capital losses realized during the prior calendar year.

## CLIENT REFERRALS AND OTHER COMPENSATION

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Ocean Park accepts accounts only through unaffiliated Financial Advisors. Ocean Park enters into sales agreements with individual Financial Advisors, broker-dealer firms, and investment advisory firms under terms that are fairly standard for such arrangements and in compliance with applicable Federal and state regulations (SEC Rule 206(4)-3), to provide investment management services for clients of such Financial Advisors at our usual fees, and with a share (ranging from 15% to 70%) of each collected fee going to the referring person or his/her firm. Each client is provided with written disclosure summarizing the relationship and the fee arrangements between Ocean Park and the Financial Advisor.

Ocean Park receives no economic benefit from any firm or individual (other than our clients) for providing investment management services.

## CUSTODY

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Ocean Park never takes physical custody or direct control of client securities or mutual funds, which are always in the custody of TD Ameritrade Clearing, Inc (TDA).

TDA sends monthly account statements directly to clients detailing all transactions within the account for that month. Quarterly, Ocean Park sends a Current Position Report to each client that lists the account holdings, number of shares, price per share and asset values. We encourage our clients to compare the account values between their TDA and Ocean Park statements.

## INVESTMENT DISCRETION

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Our clients grant us a Limited Power of Attorney in order to execute buy and sell transactions within their accounts and to debit our quarterly investment management fees. The account custodian, TD Ameritrade Clearing, Inc. oversees the billing and debiting of our fees from client accounts.

A percentage of some client accounts is invested in the Sierra Core Retirement Fund and the Sierra Strategic Income Fund. The client can choose to opt out of either, or any other specific fund or asset class with reason, however this option is rarely exercised. Accounts that hold these Funds will have their Ocean Park quarterly investment management fees reduced by an amount equal to the expenses within these Funds for that fraction of their managed account.

## VOTING CLIENT SECURITIES

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Ocean Park does not vote proxies for any client holdings. Clients will receive proxies or other solicitations from the account custodian or the mutual fund company. We do not provide information or support for or against any solicitation.

## FINANCIAL INFORMATION

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Ocean Park does not require or accept prepayment of more than \$1,200 in fees per client, six months or more in advance.



## PRIVACY PROTECTION POLICY NOTICE

Ocean Park\* recognizes that you expect us to protect your personal and financial information. **We respect your right to privacy**, and your expectation that all personal information about you or your account will be maintained in a secure manner. We are committed to maintaining the confidentiality, security and integrity of client information. We want you to understand the Ocean Park policies that govern the handling of your information, how Ocean Park obtains such information, the very limited ways in which that information is shared in servicing your account, and how it is kept secure.

### Information Sharing Policy

Except as described below, **Ocean Park does not share client information**. We will not rent, sell, trade, or otherwise release or disclose any personal or financial information about you. **Any personal or financial information you provide to us is for Ocean Park's use only, in servicing your account**. If you decide to close your Ocean Park account(s) or become an inactive client, we will adhere to these privacy policies and practices.

**Ocean Park will not disclose any consumer information, account numbers, or access numbers to any nonaffiliated third party for use in telemarketing, direct mail or other marketing purposes.**

The following are the limited situations where Ocean Park would share nonpublic personal information about you with financial or non-financial companies or other entities, including companies affiliated with Ocean Park, and other, nonaffiliated third parties:

- We may share information when it appears necessary or helpful to process a transaction or to service your client relationship. For example, information may be shared with TD Ameritrade Clearing, Inc. (TDAC) or other custodian of your managed account.
- We may share information with your CPA or other tax preparer, or a potential lender, provided you have specifically authorized us to do so.
- We may share information when it is required by law. For example, information may be shared to protect you against fraud or with someone who has a legal or beneficial interest, such as a co-account holder, a person holding your power of attorney, or in response to a subpoena.

### Information Ocean Park Receives

Ocean Park may receive nonpublic personal information about you from the following sources:

- We may receive information from you or from your representatives at our meetings with you, on your account applications, other forms, correspondence, or electronically. Examples of this information may include your name, address, Social Security Number, assets and income.
- We may obtain other personal information from you in connection with providing you with special financial services. Examples of this information include depository or checking account numbers, to facilitate transfers you specifically authorize.

### **Information Security:**

When Ocean Park shares nonpublic client information referred to above, the information is made available for limited purposes and under controlled circumstances designed to protect our clients' privacy. We require each custodian, such as TDAC, to comply with our standards for security and confidentiality. We do not

permit use of client information for any other purpose nor do we permit third parties to rent, sell, trade, or otherwise release or disclose information to any other party. These requirements are included in written agreements between Ocean Park and custodians.

Ocean Park maintains physical, electronic, and procedural safeguards to protect your nonpublic personal information.

### **Employee Access to Information:**

All Ocean Park employees must adhere to Ocean Park's confidentiality policy. Employee access to client information is authorized for business purposes only. The degree of access is based on the sensitivity of the information and on an employee's need for the information.

### **Our Policy and Practice Regarding Emails:**

Please do not provide any account or personal information such as Social Security Numbers, account numbers, or account balances within your e-mail correspondence to us.

We may use e-mails – in ways we consider to be reasonably secure – to execute transactions, provide personal account information, or change account registration. We may use e-mail to provide you with the forms necessary to authorize transactions and account changes.

### **Changes to Our Privacy Statement:**

Ocean Park reserves the right to modify or remove parts of this privacy statement at any time. We will notify you in advance of any changes that may affect your rights under this policy statement.

### **We Welcome Your Comments:**

Ocean Park welcomes your questions and comments about our Privacy Policy. You can email us at **info@OceanParkAM.com** or call us at 1-800-729-1467.

**\* This privacy disclosure applies to:** Ocean Park Asset Management, Inc. and its affiliates.