

DISCLOSURE BROCHURE

FORM ADV, PART 2A

OPTIMUM FINANCIAL SERVICES, INC.

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EFFECTIVE DATE OF BROCHURE: MARCH 7, 2012

This brochure provides information about the qualifications and business practices of Optimum Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or the e-mail address shown above. 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 Optimum Financial Services, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

OPTIMUM FINANCIAL SERVICES, INC.

SUMMARY OF MATERIAL CHANGES

IN INFORMATION AND DISCLOSURES IN FORM ADV, PART 2A

In 2010, the United States Securities and Exchange Commission changed the requirements and format for Registered Investment Advisors regarding providing information and disclosures to clients and potential clients through its new FORM ADV, PART 2A and a Brochure Supplement, FORM ADV, PART 2B. Effective March 21, 2011, Optimum Financial Services, Inc. complied with the new FORM ADV, PART 2A requirements which called for a narrative presentation of specific items identified by the Commission. The primary purposes of the new format are to present in a narrative manner a thorough analysis of how the advisory firm conducts business, standardize the presentation of material by all registered investment advisors, present all material in easily understandable simple English, identify disciplinary situations of advisors, require the disclosure of any financial circumstance (including bankruptcy) that may impact the firm's ability to properly service its clients, identify potential conflicts of interest that are contrary to the advisor's fiduciary role and their Code of Ethics. Additionally a Disclosure Supplement, FORM ADV, PART 2B must be provided to clients and potential clients which presents the qualifications and potential conflicts of interest of the firm's asset managers and anyone having discretion over a client's assets.

As part of the new reporting requirements, registered investment advisors must provide clients a summary of material changes since its last annual update. Optimum's last update of its FORM ADV, PART 2A and 2B was March 21, 2011.

Since the last annual update of Optimum's FORM ADV, PART 2A on March 21, 2011 the following material changes have transpired:

- The assets under management change from year to year, based on changes in market valuation, new assets transferred in from new and existing clients, and assets withdrawn and transferred out by clients. During 2011, assets under management decline 4.5%. As of December 31, 2011, the assets under management by Optimum were:

Discretionary	\$ 105,492,000
Non-Discretionary	<u>\$ 3,669,000</u>
Total	<u>\$ 109,161,000</u>

- On September 20, 2011, one of the principal owners of Optimum, Frank S. Brumfield, acquired an additional 5% of the company's common stock from a non-principal owner. The SEC identifies principal owners as persons owning at least 25% of the outstanding stock. The principal owners of Optimum stock within this definition as of December 31, 2011 are:

August J. Stone, Jr.	59.48%
Frank s. Brumfield	35.00%

There are no material changes to Optimum's FORM ADV, PART 2B.

If you desire, we will provide you a copy of the company's updated FORM ADV, PART 2A and FORM ADV, PART 2B. If you have any questions regarding this document, or if you would like to receive the referenced update, please contact me at 601-981-5900 or e-mail me at sonnystone@optimumfsi.com.

Thank you,

August J. Stone, Jr.
President and Chief Compliance Officer

OPTIMUM FINANCIAL SERVICES, INC.

DISCLOSURE BROCHURE - FORM ADV, PART 2A

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OPTIMUM FINANCIAL SERVICES, INC.
DISCLOSURE BROCHURE – FORM ADV, PART 2A
EFFECTIVE MARCH 7, 2012

ADVISORY BUSINESS

FIRM OVERVIEW:

Optimum Financial Services, Inc. (Optimum) is a registered investment advisor. It is registered with and regulated by the United States Securities and Exchange Commission (SEC.) Optimum must file an annual report with the SEC detailing specific, required information. Additionally, Optimum annually makes available to existing clients and to potential clients, a disclosure document detailing items specified by the SEC. Either or both of these documents must be updated whenever a material change occurs that would cause the existing documents to be outdated or incorrect. Registration does not imply a certain level of skill or training.

Optimum was chartered as a Mississippi corporation in 1990. Its founder and current President is August J. Stone, Jr. In 2007, John W. Garrard, II joined Optimum and is its Executive Vice President. These two individuals manage the assets of Optimum clients in accordance with the investment objectives of each client. More detailed information on the education and experience of these asset managers is provided under ITEM XVI – DISCLOSURE SUPPLEMENT - FORM ADV, PART 2B, QUALIFICATIONS OF OPTIMUM’S ASSET MANAGERS.

The two officers/asset managers control the majority of stock in Optimum. An outside investor currently own 35%. The SEC identifies principal owners as persons owning at least 25% of the outstanding stock. Optimum has two principal owners within this definition:

August J. Stone, Jr.	59.48%
Frank S. Brumfield	35.00%

SERVICES PROVIDED TO CLIENTS:

Optimum provides asset management services to its clients. The term “client” generally refers to individuals, partnerships, trusts, small businesses, and the profit sharing, 401-K and other tax deferred retirement plans offered by businesses or in which clients are participants. Each client enters into a Management Agreement with Optimum which sets forth contractual rights and responsibilities. Each Management Agreement provides for two exhibits. Exhibit A – Investment Objectives, sets forth the investment objectives and general risk circumstances of the client. These objectives are used by the asset manager to develop the client’s portfolio. The investment objectives may call for a very conservative investment allocation, or go all the way to a very aggressive investment

philosophy. Before the client's investment objectives are documented, the asset manager discusses with the client their personal financial situation, goals, and needs, and tries to develop an investment approach or general asset allocation frame work with which the client is comfortable. Once the investment objectives are clarified, they are documented in Exhibit A which is then signed by the client. The investment objectives may change as the financial circumstances of the client change. As this occurs, Exhibit A is updated.

The second exhibit to the Management Agreement is Exhibit B – Investment Management Fees. This exhibit summarizes the investment management fees that the client will pay, sets forth the rates, calculation process, frequency of payment, and method of payment. This is fully discussed in the following major section – FEES AND COMPENSATION.

Once the Management Agreement and related exhibits are in place, the client will then open an account with a third party custodian/broker-dealer. Assets will be acquired and sold by Optimum for the client's account. These assets may consist of individual stocks and bonds, mutual funds, exchange traded funds (ETF's), secondary certificates of deposit, money market accounts and other liquid financial assets. Optimum does not acquire real estate, precious metals, and non-registered securities. Neither do we acquire for accounts options or futures contracts. Clients may specifically request these assets in writing, and if the custodian will accept them in the client's account, they may be acquired for the client.

CLIENT CONSIDERATIONS:

In addition to the items discussed above, Optimum will take into account specific request of clients, to the extent possible. For example, if a client does not want stocks or bonds of defense or weapons contractors, or they want a certain percentage of their investments in specific categories such as environmentally friendly companies, we will accommodate their request. Additionally, we can easily accommodate client preferences such as bonds of only the U. S. Treasury and U. S. Government Agencies, or a portfolio of specific state municipal securities.

Optimum also assists clients with the management of their retirement funds. In most cases profit sharing, 401-K, and other deferred tax retirement plans provide a limited number of investment alternatives for participants. In those circumstances, Optimum manages the client's assets within those limitations.

WRAP FEE PROGRAMS:

A "wrap fee program" normally entails the management of an account within specific criteria for a certain fee that encompasses trading costs and management fees. Optimum does not offer a "wrap fee program." Optimum does consider certain client accounts, or portions thereof, for inclusion in such a program sponsored by Stephens Capital Management (SCM.) If a client chooses to allocate all or a portion of an account to the

SCM wrap fee program, the client must also sign the required documentation of SCM and is provided the disclosure document from SCM.

CLIENT ASSETS UNDER MANAGEMENT:

The total value of all client assets under management by Optimum at December 31, 2011 is shown below. The assets are categorized as “Discretionary” and “Non-Discretionary.”

Discretionary assets are those which clients have given Optimum full-discretion as to purchases and sales in structuring their portfolio. Non-Discretionary assets are those assets requiring client approval prior to a transaction being executed.

Discretionary Assets Under Management	\$ 105,492,000
Non-Discretionary Assets Under Management	<u>\$ 3,669,000</u>
Total Assets Under Management	<u>\$ 109,161,000</u>

FEES AND COMPENSATION

Optimum Financial Services, Inc. provides investment management services on a fee basis. This means that Optimum is a “fee-only” advisor. Optimum’s sole source of revenue is from investment management fees charged to clients. Optimum believes that this compensation arrangement provides benefit to both the client and the advisor because: this type of compensation assists the advisor in its fiduciary capacity with the client and promotes the concept of putting first the needs and objectives of the client; advisors are dedicated to compiling an investment portfolio for the client without concern for buying or selling securities to generate income for the advisor; there is no pressure on the advisor to sell selected proprietary products that may carry large elements of income to the advisor or his company; advisors purchase no-load mutual funds which means that there are no commissions (loads) charged to the client, allowing for all of the clients funds being invested in the fund as opposed to an amount net of an upfront sales commission; there are no periodic or delayed commissions; advisors benefit when client portfolios increase in value and lose income when client portfolios decrease in value.

There are, however, circumstances that do not permit all clients, or all assets of clients, to come within this business model. Optimum has therefore modified its business model to permit its advisors who have these issues and who maintain registration qualifications, to affiliate with Triad Advisors, Inc. (Triad) as a Registered Representative of Triad.

Triad is a full service broker-dealer registered with the SEC, Financial Industry Regulatory Authority (FINRA), National Futures Association (NFA), and various state regulatory agencies. In this capacity, Triad is involved in the sale of various types of securities, including but not limited to, stocks, bonds, mutual funds, and government securities. This is the primary business of Triad.

Optimum will allow its properly registered advisors to utilize the capabilities of Triad in selected circumstances. New advisors who come to Optimum from the securities brokerage or insurance business may require a reasonable time to transition their clients from a commission format to an investment management fee basis. There may also be circumstances where clients refuse to adopt a management fee structure. Additionally, there are some investment and insurance products that do not lend themselves to a management fee structure.

Any commission income generated from the sale of products through Triad, net of charges by Triad, will be paid directly to the Registered Representative and will not be part of Optimum's income. However, in order to prevent an advisor from favoring a commission based business, and to properly cover its management and overhead, Optimum will adjust its normal investment fee payout to the advisor by an amount that results in the advisor's total income equaling his stated payout on a fee only basis.

FEE SCHEDULES AND CALCULATIONS:

For portfolios comprised solely of fixed income securities, mutual funds, and exchange traded funds (ETF's) the following per annum investment management fee schedule is applicable:

Less than \$150,000	1.00%
First \$500,000	.75%
Next \$500,000	.65%
Next \$1,000,000	.55%
Next \$3,000,000	.45%
Next \$5,000,000	.35%
Over \$10,000,000	Negotiable

Client portfolios comprised of individual stocks, or that contain a portion of individual stocks along with fixed income securities, mutual funds, and exchange traded funds are charged the following per annum investment management fee schedule:

First \$500,000	1.00%
Next \$500,000	.90%
Next \$1,000,000	.80%
Next \$3,000,000	.70%
Next \$5,000,000	.60%
Over \$10,000,000	Negotiable

Investment management fees are normally charged at the end of each calendar quarter, based on the market value of the account at the end of the quarter, adjusted for deposits and withdrawals during the quarter. The quarterly rate is one-fourth of the above per annum rates. If the client requests a different billing period, it will be considered. New accounts are charged only for the portion of the quarter for which their assets are under management. Should a client or Optimum elect to terminate investment advisory

services during a quarter, normally by providing fifteen days written notice to the other party, management fees will be billed or deducted from the account only for that portion of the quarter in which assets were under management.

Fees are normally not negotiable unless otherwise stated. Consideration may be given to specific client circumstances and requests if there are sufficient business or personal reasons to justify a change.

In specific and rare circumstances, Optimum may agree to a fixed fee for its investment management services.

Investment accounts may also be placed with other asset managers and/or sub-advisors with written concurrence of the client. The accounts may be managed as separate accounts, or in a pooled or mutual fund format. The client will be provided the managers/sub-advisors disclosure documents and fee schedule. In those cases where the manager/sub-advisor and Optimum charge a combined investment management fee, Optimum will be responsible for collecting the total management fee and remitting the manager/sub-advisor their appropriate amount. This allocation of fees will be fully disclosed to the client. In those circumstances where the manager/sub-advisor charges the account directly for their services, Optimum's fees will be calculated and charged separately. If a sub-advisor/manager requires payment of investment management fees other than in arrears, the client will be made fully aware of the requirement. Adjustments will be made for accounts opened or closed during the quarter so that the client pays only for the time their funds are actually under management.

ALTERNATIVE METHODS OF CLIENT PAYMENT:

Investment management fees are normally deducted from the client's account with the written approval of the client. However, if a client prefers to receive a quarterly invoice for the fees and pay it directly, they may do so.

OTHER FEES AND EXPENSES:

As discussed previously in this section, Optimum's sole compensation for its management services are from the investment management fees collected from clients. There are no other charges by Optimum to the client.

Clients will encounter other fees, charges, or expenses that are imposed by third parties. If individual stocks are purchased or sold, the broker-dealer will charge a commission. All mutual fund managers charge a management fee within the fund and report gain or loss net of their charges. Some custodians may charge for their services. For an expanded discussion of these issues, please refer to **BROKERAGE PRACTICES**.

PREPAYMENT OF FEES:

Optimum does not encourage or accept the prepayment of fees from clients.

OTHER ADVISOR COMPENSATION:

Neither Optimum nor any of its asset managers receive direct compensation from anyone other than its clients or Triad. However, please refer to BROKERAGE PRACTICES.

PERFORMANCE BASED FEES

Performance Based Fees refers to sharing in the capital gains and appreciation of a portfolio. This type of fee sharing is often seen in hedge funds and pooled investment strategies where there is a base charge for investment management and an additional fee based on the asset appreciation. Optimum does not participate in any “Performance Based Fee” arrangement with any of its clients or any third party.

TYPES OF CLIENTS

As noted above under the classification SERVICES PROVIDED TO CLIENTS, Optimum provides asset management services to individuals, partnerships, trusts, small businesses, and the profit sharing, 401-K and other tax deferred retirement plans offered by businesses or in which clients are participants. Optimum has no minimum level of assets in order to accept a client. Referral from existing clients are readily accepted and appreciated.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

There are numerous ways to research investments and structure portfolios. Various firms provide research materials for a fee. Others provide data free. Charts are readily available in publications, and a multitude of information is available on the internet. Optimum utilizes various research material provided free from various custodians, mutual fund providers, broker-dealers, and the internet. Additionally, we read and obtain ideas from publications such as the Wall Street Journal, Barron's, and other business magazines. This information is used for the benefit of all clients and helps Optimum's asset managers select various investments suitable for its diverse client base.

FORMULATING CLIENT SPECIFIC ADVICE:

As referenced above in SERVICES PROVIDED TO CLIENTS, each client signs a Management Agreement requiring an attached Exhibit A – Investment Objectives. This exhibit sets forth the investment objectives and general risk circumstances of the client. These objectives are used by the asset manager to develop the client's investment portfolio. Before the client's investment objectives are documented, the asset manager discusses with the client their personal financial situation, goals, and needs, and tries to develop an investment approach or general asset allocation frame work with which the client is comfortable and is within the client's risk tolerance. Once the investment

objectives are clarified, they are documented in Exhibit A which is then signed by the client. The investment objectives will often change as the financial circumstances of the client change. As this occurs, Exhibit A is updated.

UNDERSTANDING MATERIAL AND SPECIFIC RISKS IN INVESTMENTS:

Optimum has no pre-structured programs where its clients are placed based on their investment objectives. Each client's portfolio is managed by the asset manager in their best efforts to accomplish the goals of that client.

However, general market risks often seem to be limitless. Stocks, equity mutual funds, and exchange traded funds are subject to declining price valuation due to drops in corporate earnings, a run up in interest rates, geopolitical events, significant changes in the inflation/deflation outlook, overall domestic and worldwide economic growth, debt leverage, corporate bankruptcy, corporate governance, income tax changes, and other factors. Bonds and other fixed income securities such as preferred securities, certificates of deposit, and even money market accounts share some of the risks associated with stocks and have other risks which may call into question their valuation. These risks would include the financial stability of the issuer, rapidly rising interest rates which may cause the principal to be priced at a considerable discount to par value, a lack of liquidity causing an investor to sit on an investment until it hopefully matures, another credit crunch which could force maturing debt into bankruptcy because potential buyers have disappeared, decline in credit ratings, and exceptionally low interest rates that provide basically no yield to investors needing income to live.

Although the above general market risks appear onerous enough, there may also be specific risks associated with certain investments. These often tend to be more directly related to the security rather than the economy and overall markets, such as buying a stock that has lost considerable value in hopes of catching a quick upward move, or purchasing distressed debt of a failing company in hopes of a price recovery or a favorable bailout in a merger or bankruptcy proceedings, or 'doubling up' on a stock you own that has fallen severely in value. These specific risks tend to fall more into the category of speculation than investing.

Ignoring one's investment objectives and failure to update them as your financial circumstances change is in itself a risk.

MANAGING RISKS:

Although there are many risks associated with investing, there are ways in which risks can be mitigated. You can ignore the short term risk by adopting a "buy and hold" strategy. However, there are no assurances that when you reach the 'long term' that the markets will have appreciated, or that interest rates and inflation have not overtaken your fixed income stream. The old saying about "don't put all your eggs in one basket" is another approach. Asset allocation among different types of investments (equities, mutual funds, bonds, preferred stocks, and money market accounts) can be a strong

beginning to mitigating risks. Additionally, within each of these asset types, further diversification is appropriate, for example in equities, consider: growth and value; large, mid, and small caps; different market sectors such as retail, financial, energy, health care, etc. Some would argue that having a diversified portfolio as somewhat described herein, is in itself a material risk because although you may better absorb down trends, you water down upside potential. All of these and other approaches to managing risk should first be suitable and appropriate to the specific client and their circumstances.

The last decade has taught both clients and advisors that flexibility may be key in avoiding certain market risks, as well as seizing the opportunities of appreciation. This does not imply that trading, market timing, buy and hold, or diversification are necessarily appropriate for a specific client, but it does suggest that 'management' can be very beneficial. A diversified portfolio for an elderly couple may well be appropriate if they have considerable assets. However, as their assets become limited, a much more conservative approach may be wiser. Buying twenty year government bonds may sound secure for a widow requiring an income stream, but a run up in interest rates and inflation could lock in a low yield and lack of liquidity without realizing a loss on sale. Buying common stocks with high yields may prove ineffective if the company's stock declines due to poor earnings and dividends are cut. These pitfalls can be mitigated through management.

No method of asset management is without flaw and risks. However, there are ways to mitigate risks with hands on management, but the management approach must first be appropriate and suitable for the client.

DISCIPLINARY INFORMATION

It is appropriate that clients and potential clients be aware of the circumstances involved in any disciplinary action against the firm, any of its asset managers, or other management personnel.

CRIMINAL OR CIVIL ACTIONS: NONE

REGULATORY ADMINISTRATIVE PROCEEDINGS: NONE

SELF-REGULATORY ORGANIZATION PROCEEDINGS: NONE

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

It is often beneficial that a firm, or one or more of its management personnel, have a strong personal relationship with other financial industry firms or personnel. However, care must be exercised to avoid any activity that may lead to a conflict of interest or a failure in a fiduciary responsibility to a client.

BROKER-DEALER AFFILIATIONS:

Optimum maintains a close business relationship with various broker-dealers and custodians that provide services, securities, safekeeping, and tax reporting services for its clients. However, Optimum has no official affiliation with any broker-dealer or custodian. John W. Garrard, II is a registered representative of Triad as discussed under the section titled FEES AND COMPENSATION. However, refer to AFFILIATIONS WITH OTHER INVESTMENT ADVISORS below and please refer to the section titled BROKERAGE PRACTICES.

FUTURES AND COMMODITY MARKETS AFFILIATIONS:

Neither Optimum nor any of its management personnel are registered with or otherwise affiliated with any futures or commodity industry dealer.

OTHER FINANCIAL INDUSTRY AFFILIATIONS:

Neither Optimum nor any of its management personnel have any relationship or arrangement with any related person within the financial industry. However, outside of the definition of related person as defined by the SEC, both Stone and Garrard maintain insurance licenses that permit them to sell life, health, and certain other insurance. Neither Stone nor Garrard attempts to evaluate, obtain quotes, and directly sell insurance products. If a need exists for insurance for a client and the client requests assistance, with the client's approval, they will be referred to an insurance agent who does evaluate and obtain quotes, and directly sells the product sought. The client is advised that if the referral results in a sale, Stone or Garrard will share in the commission. The percentage and extent of the commission depends on the type of insurance and the commission structure of the insurance company, as well as any agreement with the agent. Any commissions received by Stone or Garrard on insurance products are outside the advisory business conducted within Optimum.

AFFILIATIONS WITH OTHER INVESTMENT ADVISORS:

As noted above under WRAP FEE PROGRAMS, Optimum may discuss with a client placing all or a portion of an account in a wrap fee program sponsored by Stephens Capital Management (SCM.) This program is designed to apply certain percentages of the clients program assets in selected exchange traded funds based on historical return data provided by an independent research source. Optimum does not receive any compensation from SCM or its full service broker-dealer affiliate, Stephens, Inc. Optimum's client pays a combined rate to Optimum (based on its regular fee schedule) plus a considerably reduced rate from SCM from their stated fee schedule.

The referrals referenced in the above two sections have been used on a very limited basis and do not appear to create any conflict of interest or impede the fiduciary standard of Optimum towards its clients.

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

Registered investment advisors assume a fiduciary responsibility to their clients that requires that the client's interest must be placed above that of the firm or its management personnel. This fiduciary standard not only applies to security transactions, but also to confidentiality, truthfulness, and professional conduct.

CODE OF ETHICS POLICY STATEMENT:

Optimum has adopted a **Code of Ethics, Conduct, and Professional Standards** which addresses this fiduciary standard, as well as the permissible personal trading activity of all related parties, confidentiality, misrepresentation, insider information, disclosure of conflicts of interest, professional conduct, and other items. A copy of this policy statement is available upon request. Optimum has also adopted other policy statements dealing with its responsibilities to clients, regulatory compliance, and business practices.

PARTICIPATION IN CLIENT TRANSACTIONS IN WHICH OPTIMUM OR A RELATED PERSON HAS A MATERIAL INTEREST:

Optimum and its management personnel are prohibited from recommending or offering to sell to or buy from any client a security in which either Optimum or any of its management personnel maintain a material interest.

RELATED PERSON ACQUISITION OF THE SAME SECURITIES RECOMMENDED OR PURCHASED FOR CLIENT ACCOUNTS:

Optimum and/or its officers may buy or sell for their own or related party accounts securities recommended to and purchased/sold by clients. These transactions are immaterial to the total volume of traded securities, and care is taken to assure that client transactions are not adversely effected, either through the use of block trades, which provides the same trade price to all accounts within the block trade transaction, or through executing related party trades on the day following client trades. From time to time, and for several reasons, a security may be purchased or sold by a related person independent of client holdings. Similarly, securities may from time to time be purchased or sold from client accounts when the same security in a related party account is not sold. While this policy also applies to the purchase and sale of mutual funds, there is no timing conflict during any one day, as mutual fund trades are all priced and executed as of the close of business on the trade date. Neither Optimum nor any of its officers is a broker/dealer, makes a market in securities, or executes cross transactions directly with a client's account.

RELATED PERSON ACQUISITION OF THE SAME SECURITIES ACQUIRED FOR CLIENTS AT OR ABOUT THE SAME TIME:

Please see the above item.

BROKERAGE PRACTICES

Optimum Financial Services, Inc. is not a broker-dealer. It uses the services of other broker-dealers in order to purchase, sell, and safe keep client securities. Optimum has developed several relationships with broker-dealers and investment firms that we believe benefit our clients.

RECOMMENDING AND/OR SELECTING A BROKER-DEALER AND CUSTODIAN FOR CLIENT TRANSACTIONS:

Optimum allows clients to select whatever broker-dealer or custodian they prefer. However, given the opportunity to recommend a broker-dealer / custodian to the client, Optimum will normally recommend Fidelity Investments. Optimum uses the services of Fidelity Investments as its primary broker-dealer and custodian. This relationship has evolved over several years of development through the efforts of both Optimum and Fidelity. Neither Optimum nor any of its management personnel have any direct affiliation with Fidelity, and neither do we receive any commissions, overrides, referral fees, or other direct compensation from Fidelity. Neither does Optimum pay Fidelity for any referrals.

In determining the factors in the selection of Fidelity, we searched for a broker-dealer who emphasized strong relations with independent investment advisors, who offered a multitude of quality no-load mutual funds, who offered clients a fair price for the execution of transactions, who maintain a sizeable inventory of investment grade fixed income securities, who offered monthly reporting in a timely and accurate statement, who provided timely and accurate tax reporting services, and who had a service department dedicated to assisting advisors and solving problems that may arise. We are very pleased with the quality of the services, inventories, and pricing that Fidelity provides.

Fidelity offers the clients of Optimum equity trades at \$17.95 per transaction and a reduced cost of \$7.95 for transactions if the client signs up for electronic statements and trade confirmations. Transactions in certain exchange traded funds are without charge. Total household accounts totaling \$1,000,000 or more also pay \$7.95 per equity trade. None of Fidelity's transaction charges are paid to Optimum or any of its personnel.

For those limited circumstances where Triad is utilized by John W. Garrard, II, his compensation is primarily derived from 'trail fees' paid to Triad by mutual fund companies.

Over the years, Optimum has also developed a strong business relationship with several other broker-dealers for various reasons. Stephens, Inc was instrumental in assisting Optimum in its organization and offered asset management services that suited the client base of Optimum at the time. Today, Stephens continues to be a source to Optimum and its clients for their wrap fee program mentioned above, and a source of fixed income

securities. Additionally, Optimum has developed a relationship with Morgan Stanley Smith Barney to provide fixed income securities, particularly Mississippi tax-exempt securities. Other broker-dealers have been used over the years at the request of clients, but these represent Optimum's normal sources. Neither Optimum nor its asset managers receive any compensation from any broker-dealer referenced herein.

While clients may choose any broker-dealer they desire for trading and/or custodial services, Optimum has no ability to help negotiate trading costs, or assure the quality of services and reports that others may provide. Other broker-dealers may provide opportunities to save money for the client, or there may be additional costs. Additionally, Optimum may have a much more difficult time in obtaining necessary assistance to resolve issues that may arise.

All of the firms listed above provide both trading and custodial services for Optimum. Fidelity Investments also provides an online platform that offers research which is often used by Optimum for the benefit of all clients, and a highly developed and advanced securities software package that allows Optimum to review all of its clients' accounts, trade those accounts online, look at an account's history, and obtain numerous reports, services, and a multitude of data. Fidelity does not charge its advisor network for the use of its software.

Fidelity normally has an annual meeting for certain of its independent advisors in Boston. The purpose of the meeting is to hear outside economists, research personnel, fund managers, and service managers discuss the economy, the markets, various Fidelity mutual funds, and the Fidelity process. Fidelity has invited Optimum's president to attend this meeting on three occasions with the full cost borne by Fidelity. During the market turbulence and financial crisis of 2008 and following in 2009, Optimum's president attended the meetings, gaining valuable insights and ideas to benefit all clients.

Optimum periodically receives reports, analysis, and/or research from various broker-dealers, mutual fund providers, and software providers. These materials are free and if used, are used for the benefit of all clients.

Triad provides Garrard with a trading platform similar to Fidelity's software, a billing service, professional liability insurance, and third party reporting software. From his gross commissions, Garrard pays certain fees to Triad for these services.

AGGREGATION OF ACCOUNTS IN PURCHASE/SALE TRANSACTIONS:

The aggregation of accounts for security transactions assures that all buyers/sellers receive the same price on a transaction. This mechanism is beneficial on stock and bond transactions. Mutual funds provide the same price to all buyers and sellers throughout any day because the buy/sell price is based on the valuation of the fund as determined at the end of the trade date and is applicable to everyone.

Aggregation of accounts is often referred to as a ‘block trade.’ Optimum utilizes block trades when it is appropriate and there is opportunity. If several or all clients owning a stock or bond are to sell that security, a block trade is used, assuring the owners of the same price. If a stock or bond is to be purchased for several clients, a block trade is also used in order to obtain the same price for each. However, if in managing a specific client’s account, a particular stock is selected for purchase or sale, it will be bought or sold independently.

All clients are not selected for any particular block trade. For example, in buying a stock, consideration must be given to: is this stock suitable for this client; does this account already own this stock; does this account need additional equities; does this account have cash available to pay for the stock; is this account exclusively mutual funds; is this account exclusively fixed income?

REVIEW OF ACCOUNTS

Communications between the asset manager and the client is crucial. Good communication allows the manager to develop a ‘feel’ for the client’s circumstances that may require a change in investment objectives and/or asset allocation. The client has a need and a right to know what is occurring with their portfolio.

FREQUENCY AND NATURE OF ACCOUNT REVIEWS:

All client accounts maintained at Fidelity or Triad are shown and maintained on Optimum’s computer daily. Critical information is readily available. The asset manager has immediate access to account positions, market values, cost data, unrealized gains and losses, cash positions, the accounts’ net worth, historical data, pending trades, and a host of additional information. This allows for account review daily.

Optimum asset managers may communicate with clients at any time, any day, and often do. However, there is a normal reporting process in place that provides that the asset manager either meets with or writes a letter to our clients quarterly. Some clients like quarterly meetings, some annually, and some don’t want to meet unless they call the meeting. The contents of a meeting or our report are basically the same and include the portfolio’s performance, information on what the markets did, our thoughts about what may lie ahead, and a copy of the quarterly invoice for investment management fees. Some discussion of specific security positions may also be included.

When meeting with clients or included with their report, Optimum may provide additional documents or offerings of documents required by regulation, such as a Privacy Notice, Notice of Material Changes, or an updated FORM ADV, PART 2A or FORM ADV, PART 2B.

Whether at a meeting, in a letter, or other communication, clients are encouraged to ask questions and to discuss circumstances that they feel are important, or that may impact their written investment objectives.

TRIGGERS OF SPECIFIC ACCOUNT REVIEW:

As noted in the previous section, communication is encouraged between the asset manager and the client. Any significant event that may impact a client's investment objectives, portfolio, or financial circumstances should be a trigger to initialize communication, or include such matters at the next quarterly review.

FREQUENCY AND CONTENT OF REVIEW REPORTS:

These matters are discussed in the two preceding sections.

CLIENT REFERRALS AND OTHER COMPENSATION

Optimum's personnel attempt to maintain friendly and professional relations with business associates and others in the community in hopes that they, as well as clients, will consider referring others to Optimum for investment management services.

NON-CLIENT COMPENSATION TO OPTIMUM:

Neither Optimum nor its asset managers receive any direct compensation from non-clients for its investment management services, except for those matters specifically noted under the section heading RECOMMENDING AND/OR SELECTING A BROKER-DEALER AND CUSTODIAN FOR CLIENT TRANSACTIONS.

REFERRAL COMPENSATION BY OPTIMUM:

Optimum has in the past, and may in the future, establish a referral arrangement with other advisors, insurance agents, or other parties where it pays a referral fee to these parties in exchange for referrals that actually become investment clients of Optimum. This referral agreement must be in writing, signed by both parties, and the fee arrangement clearly disclosed. If the referring party is not a registered investment advisor, the arrangement must be approved by the State of Mississippi, and Optimum must receive a "No-Action Letter" from the state's securities commission. This arrangement is tightly regulated and requires that the referring person provide the potential client a copy of Optimum's FORM ADV, PART 2A and PART 2B at the first meeting in which the referral is discussed and obtains acknowledgement from the potential client that they are aware of the agreement, and that the referring party will receive compensation from Optimum for the referral if they become an actual client. The referred party, upon becoming a client of Optimum, must sign a separate document acknowledging they he is aware of the compensation arrangement which must be fully

disclosed, and Optimum must acknowledge that the client will not pay more than other clients for investment management services of Optimum.

CUSTODY OF CLIENT ASSETS

Optimum utilizes the services of several broker-dealers as mentioned under the BROKERAGE PRACTICES section. Optimum is independent of these broker-dealers and uses their custody capabilities. Optimum follows stringent internal policies and regulations to avoid direct custody of client assets and relies on these independent broker-dealers to provide custodial services which encompasses, among other things, holding or safe keeping the securities, receiving and sending the securities, receiving dividends and interest, acting upon proper notification as to withdrawals or transfers, valuing the securities based on accurate market guidelines and data, providing statements to clients of Optimum, and providing annual tax information to clients. Statements should be received from the custodian on a monthly basis unless there is no activity in the account, in which case at least quarterly statements should be received. Clients should carefully review statements received from the custodian. Optimum personnel also review the statements and use the statements as the basis of our quarterly reports and meetings. Optimum does not send client statements.

INVESTMENT DISCRETION

Item 2 of Optimum's Management Agreement provides for discretionary asset management. This means that the client gives Optimum's asset managers the authority to buy, sell, and hold securities as they deem appropriate in the client's account, subject to suitability and the dictates of Exhibit A – Investment Objectives. Most clients agree with this policy and in fact, are paying investment management fees to Optimum in order to have someone do just that, manage their account. Client's have the right to reject that provision of the contract and adopt some form of notice, discussion, verbal or written approval before securities can be purchased or sold. There is no extra charge in requiring the asset manager to contact the client prior to executing security transactions; however, the potential time delay in doing so may cause the client to miss a trade altogether (such as buying a new issue bond) or necessarily eliminate the client from a block trade. Additionally, if clients are traveling or for other reason cannot be contacted, an account may miss portfolio management opportunities to either purchase or sell a security at a specified price.

At December 31, 2011, Optimum's assets under management were placed in the discretionary and non-discretionary allocations as follows:

Discretionary Assets	\$ 105,492,000
Non-Discretionary Assets	<u>\$ 3,669,000</u>
Total Assets Under Management	<u>\$ 109,161,000</u>

VOTING CLIENT SECURITIES

Optimum does not vote proxies for client owned securities. Custodians or other third parties will send proxy materials directly to the client. You may vote your proxies as you deem appropriate. Optimum normally does not review sufficient detail contained in proxy materials to guide you in your decision.

FINANCIAL INFORMATION

Regulators require investment advisors to provide financial information to clients if there is reason to be concerned about the advisors capability to satisfy its client's obligations. This requirement would be applicable if Optimum collected fees in advance, had custody of client assets, or had filed for bankruptcy. Additionally, if an advisor has discretionary authority over client assets, the advisor is required to disclose any financial condition likely to impair the advisor's ability to meet contractual commitments to clients.

Optimum does not solicit nor obtain fees in advance from clients, does not have custody of client assets, nor has it or any of its personnel filed for bankruptcy. Optimum does have discretionary authority over client assets, but we do not know of any financial condition or circumstance that would impair our contractual commitments to clients.

DISCLOSURE BROCHURE SUPPLEMENT
FORM ADV, PART 2B

PERSONAL INFORMATION ON THE FOLLOWING ASSET MANAGERS:

August J. Stone, Jr.

John W. Garrard, II

ASSET MANAGERS AND OFFICERS OF

Optimum Financial Services, Inc.

1817 Crane Ridge Drive, Suite 200

Jackson, MS 39216

Tel. 601-981-5900

Effective Date of Brochure supplement: March 7, 2012

This brochure supplement provides information about August J. Stone, Jr. and John W. Garrard, II, that supplements the Optimum Financial Services, Inc. Disclosure Brochure of March 7, 2012 which precedes this document. Please contact August J. Stone, Jr., President and Chief Compliance Officer if you failed to receive the disclosure brochure and this supplement in its entirety, or if you have any questions regarding the contents.

Optimum Financial Services, Inc. requires a minimum of a college degree and five years business experience for any person it may hire to assist in providing investment advisory services.

Additional information about August J. Stone, Jr. and John W. Garrard, II is available on the SEC's website at www.adviserinfo.sec.gov.

DISCLOSURE BROCHURE

SUPPLEMENTAL INFORMATION

Name: AUGUST J. STONE, JR.

Age: 68 Born February 5, 1944

Residency: Jackson, MS

Formal Education:

Cathedral High School Natchez, MS	Diploma	1962
Louisiana State University Baton Rouge, LA	BS/Accounting	1966
Louisiana State University Baton Rouge, LA	MA/Accounting	1967

Business Experience Last Five Years:

Optimum Financial Services, Inc. – President and Chief Compliance Officer;
Asset Manager

Professional Designations:

Formerly a Certified Public Accountant (CPA) – completed the required college course work, passed the examination, and fulfilled the required work experience to become a certified public accountant. No longer practice public accounting, do not maintain a license, and do not use the initials CPA.

Registered Investment Advisor – passed the required NASD Series 65 Uniform Investment Advisor's examination.

Previously maintained securities licenses Series 7 and Series 63 to allow serving as a registered representative of a broker-dealer after completing the required NASD examinations. Allowed licenses to expire after converting investment business to a fee-only basis.

Life and Health Insurance agent's license obtained after completing the required State of Mississippi examination.

Disciplinary Information:

There have been no criminal or civil actions, administrative proceedings, self-regulatory organization proceedings, or other disciplinary actions against August J. Stone, Jr.

Other Business Activities:

August J. Stone, Jr. is not actively involved in any other investment related business activity, nor any other business activity.

Additional Compensation:

August J. Stone, Jr. receives compensation from Optimum Financial Services, Inc. based on his investment management fees. Additionally, he participates in Optimum's SEPP plan and is reimbursed for business expenses. He receives no other compensation from Optimum or any of its clients. He may receive insurance commissions from referrals to other agents. He attended an investment meetings in Boston at the expense of Fidelity in the midst of the financial crisis of 2008 and following in 2009 to hear from economists, mutual fund managers, and research analysts relative to the economy, markets and the potential time frame for recovery.

Supervision:

August J. Stone, Jr. serves as Optimum's Chief Compliance Officer. Accordingly, he is not directly supervised by another party. However, Optimum has adopted an internal audit function among its personnel to allow for review of each other's work, compare client investment allocations to their investment objectives, and review deposits and withdrawals to both client accounts and Optimum's checking account. Additionally, all personnel meet randomly to review the numerous policy statements of Optimum, provide for necessary updates, and promote a compliance oriented environment. The internal audit procedures and the policy statements allow and direct employees performing reviews to take any unresolved exceptions and violations directly to the company's accountants and/or attorneys.

As Chief Compliance Officer, clients should contact August J. Stone, Jr. at 601-981-5900 with questions or concerns. If your concern involves Mr. Stone, please contact John W. Garrard, II at this number.

DISCLOSURE BROCHURE

SUPPLEMENTAL INFORMATION

Name: JOHN W. GARRARD, II

Age: 51 Born March 3, 1961

Residency: Jackson, MS

Formal Education:

Indianola Academy Indianola, MS	Diploma	1979
Mississippi State University Starkville, MS	BBA	1983
Millsaps College Jackson, MS	MBA	1987

Business Experience Last five Years:

Optimum Financial Services, Inc. April, 2007 to Present; Executive Vice President and Asset Manager

Triad Advisors, Inc. April, 2009 to Present; Registered Representative

Legg, Mason, Wood, Walker and its acquirer Smith Barney to April, 2007; Registered Representative and Assistant Vice President

Professional Designations:

Registered Investment Advisor – passed the required NASD Series 65 Uniform Investment Advisor's examination

Registered Representative of Triad Advisors, Inc. and previously with various broker-dealers since passing the required NASD Series 7 and Series 63 examinations in 1990

Life and Health Insurance agent's license obtained after completing the required State of Mississippi examination

Disciplinary Information:

There have been no criminal or civil actions, administrative proceedings, self-regulatory organization proceedings, or other disciplinary actions against John W. Garrard, II

Other Business Activities:

John W. Garrard, II is not actively involved in any other investment related business activity, nor any other business activity.

Additional Compensation:

John W. Garrard, II receives compensation from Optimum Financial Services, Inc. based on his investment management fees. Additionally, he participates in Optimum's SEPP plan. He receives no other compensation from Optimum or any of its clients. He may receive insurance commissions from referrals to other agents. John also receives commissions from Triad Advisors, Inc., primarily generated from mutual fund "trail" commissions based on commission oriented securities bought, sold, or maintained through Triad for clients who refuse to have these investments managed on a fee basis, and on certain assets that do not lend themselves to fee base management. His compensation is net of certain expenses charged by Triad in order to use their services.

Supervision:

Optimum has adopted an internal audit function among its personnel to allow for review of each other's work, compare client investment allocations to their investment objectives, and review deposits and withdrawals to both client accounts and Optimum's checking account. Additionally, all personnel meet randomly to review the numerous policy statements of Optimum, provide for necessary updates, and promote a compliance oriented environment.

August J. Stone, Jr. is Optimum's Chief Compliance Officer and as such, is the direct supervisor of John W. Garrard, II. Any questions or concerns related to Mr. Garrard should be directed to Mr. Stone at 601-981-5900.