

# Leerink Swann LLC

## Appendix 1- Part 2A of Form ADV

### Wrap Fee Program Brochure

One Federal Street  
37<sup>th</sup> Floor  
Boston, MA 02110  
[www.Leerink.com](http://www.Leerink.com)

## March 2012

This wrap fee program brochure provides information about the qualifications and business practices of Leerink Swann LLC (“Leerink” or “Adviser”). If you have any questions about the contents of this brochure, please contact us at 617-248-1601. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

## Material Changes

Leerink's most recent update to the wrap fee program brochure was made in November 2011. Leerink's wrap fee program activities have not changed materially since the time of that update. That update included information about asset management fees charged to employees and former employees and the selection and evaluation of portfolio managers. This wrap fee program brochure is otherwise not materially different from the November 2011 brochure.

## Table of Contents

Material Changes.....	2
Table of Contents .....	2
Services, Fees and Compensation .....	2
Account Requirements and Types of Clients .....	<b>Error! Bookmark not defined.</b>
Portfolio Manager Selection and Evaluation.....	<b>Error! Bookmark not defined.</b>
Client Information Provided to Portfolio Managers.....	6
Client Contact with Portfolio Managers.....	6
Additional Information.....	6

## Services, Fees and Compensation

Leerink provides investment consulting services regarding matters such as allocation of assets among different classes, portfolio diversification, managing portfolio risk, and other general economic and financial topics.

Leerink works with each client to establish an appropriate investment profile. Client investment objectives are identified by assessing the client's risk tolerance based upon factors such as: age, income, education, cash flow requirements, investment goals, and emotional tolerance for volatility. This information is collected during client meetings, interviews, and/or questionnaires. After analyzing a client's financial situation and formulating an appropriate asset allocation and investment strategy for the client, Leerink implements the investment strategy through an optimal combination of investments or recommended unaffiliated money managers ("Portfolio Managers"). Capital market conditions and client circumstances are monitored and portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above variables. Clients can impose reasonable restrictions on Leerink's management of their accounts.

Leerink offers several wrap fee programs ("Programs") where client assets in the Programs are invested in separate accounts, managed by unaffiliated Portfolio Managers using equities, mutual funds, bonds, cash equivalents and other instruments. Clients in the Programs pay a bundled fee for investment advice, transaction execution, and clearing of transactions.

Below is a description of each of the Programs and the associated fees for each. In evaluating the wrap fee arrangement, a client should recognize that transactions are generally effected without commissions. A portion of the wrap fee is generally considered as being in lieu of brokerage commissions executed through unaffiliated broker-dealers.

The Programs may cost the client more or less than purchasing such services separately, depending upon a client's investment strategy, the investment advisory fees charged, the number of transactions in the account, the brokerage and other fees that would be payable if the client obtained the services under the Program separately. In addition, the same or similar investment advisory services may be available from other investment advisers for a lower fee. The Program fees charged are reviewed regularly using tools provided by Pershing LLC, the custodian and clearing broker, for comparison with transaction-based fees. Fees charged by the unaffiliated Portfolio Managers may be negotiable. For clients participating in the Lockwood Program, the maximum annual management fee is based on the date the account was established. The annual management fee schedule for accounts opened prior to August 1, 2009 ranges from 1.2% to 2.5% depending on the portfolio.

For accounts opened after August 1, 2009, the standard annual management fee for its asset management services Programs ranges between 1.0% and 2.5% for both based on various factors relating to a particular client, including amount of assets under management and may be negotiated to a lower percentage than 1.0% on a case by case basis. The unaffiliated Portfolio Managers offer their asset management services to employees and former employees of Leerink Swann at a reduced investment advisory fee, that ranges between 0.1% and 2.5%. The investment advisory fee is negotiated in these situations on a case by case basis depending on various factors relating to the Leerink Swann employee or former Leerink Swann employee.

In addition to the advisory fee, you may incur a charge per transaction for postage and handling charges assessed by Pershing LLC. These particular charges will be passed through to you and will be paid directly to Pershing LLC. Clients may also incur charges for other account services provided by unaffiliated Portfolio Managers not directly related to the execution and clearing of transactions including, but not limited to, safekeeping fees, account activity charges, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

All fees are charged quarterly in advance. Fees are specified in each client's account agreement. Additional detail about each individual Program and its respective fees are discussed below.

#### **Programs Using Lockwood -**

Lockwood Advisors Inc. ("Lockwood") is an unaffiliated SEC-registered investment adviser. The Lockwood Programs use Lockwood Portfolio Managers as well as outside Portfolio Managers: Northern Trust Investments, Mastrapasqua & Associates, and Emerson Investment Management.

#### **Northern Trust Investments – U.S. Balanced**

Northern Trust Investments, an unaffiliated SEC-registered investment adviser, serves as the Portfolio Manager for this U.S. balanced portfolio Program. The Program seeks to diversify assets and reduce volatility by investing in large cap value stocks and highly rated investment grade U.S. fixed income securities. The current annual fee schedule for this Program is:

<b>Market Value</b>	<b>Lockwood Fee</b>	<b>Leerink Fee (Negotiable)</b>	<b>Northern Trust Fee (Negotiated by)</b>	<b>Total Annual Fees</b>
---------------------	---------------------	---------------------------------	---	--------------------------

			<b>Lockwood)</b>	
All Assets	Up to .58%	Up to .85%	Up to .50%	Not to exceed 2.5%

### **Mastrapasqua & Associates - Mid-Cap Growth**

Mastrapasqua & Associates, an unaffiliated SEC-registered investment adviser, serves as the Portfolio Manager for this core equity Program which invests in large to mid-cap domestic companies that are: fundamentally strong, under-appreciated by the market, and have positive catalysts for growth. The annual fee schedule for this Program is:

<b>Market Value</b>	<b>Lockwood Fee</b>	<b>Leerink Fee (Negotiable)</b>	<b>Mastrapasqua &amp; Associates Fee (Negotiated by Lockwood)</b>	<b>Total Annual Fees</b>
All Assets	Up to .30%	Up to .75%	Up to .50%	Not to exceed 2.5%

### **Emerson Investment Management - Fixed Income**

Emerson Investment Management, an unaffiliated SEC-registered investment adviser, serves as the Portfolio Manager and invests in relatively stable investments that offer moderate yields and some principal protection (e.g., longer duration Treasury securities and high-quality municipal or corporate bonds). The annual fee schedule for this Program is:

<b>Market Value</b>	<b>Lockwood Fee</b>	<b>Leerink Fee (Negotiable)</b>	<b>Portfolio Manager Fee (Negotiated by Lockwood)</b>	<b>Total Annual Fees</b>
All Assets	Up to .35%	Up to .90%	Up to .25%	Not to exceed 2.5%

### **Lockwood Asset Allocation Model II, III and IV**

Lockwood determines asset allocation strategy and selects Portfolio Managers/investment vehicles for each investment style component of the portfolios based on proprietary modeling strategies. There are five core models that span the risk/return spectrum, and portfolios are managed with regard to the investor's tax status for tax efficiency. At the client's discretion, portfolios may include exposure to non-traditional asset classes designed to reduce overall portfolio volatility. Overlay management protocols are used to coordinate the buying and selling of securities, tax-efficiency and rebalancing across the entire portfolio.

<b>Market Value</b>	<b>Lockwood Fee</b>	<b>Leerink Fee (Negotiable)</b>	<b>Portfolio Manager Fee</b>	<b>Total Annual Fees</b>
All Assets	Up to .40%	Up to .93%	Not applicable	Not to exceed 2.5%

### **Other Fees**

Advisory fees charged by the Adviser are separate and distinct from fees and expenses charged by exchange-traded funds or mutual funds, which may be recommended to clients. A description of these fees and expenses are available in each fund's prospectus. In addition, clients may incur a charge per transaction for postage and handling charges assessed by Pershing LLC. These particular charges will be passed through to clients and will be paid directly to Pershing LLC.

The IAR may receive compensation as a result of a client's participation in the advisory program. The amount of the compensation may be more than the client would pay if the client was participating in other programs offered by Leerink or the unaffiliated Portfolio Manager or paid separately for investment advice, brokerage or other related services. As a result, the IAR may have a financial incentive to recommend an advisory program over other programs or services.

## **Account Requirements and Types of Clients**

Leerink primarily provides customized investment management services to individuals, high-net-worth individuals and associated trusts and estates, pension and profit sharing plans, and other legal entities. Clients are required to maintain a brokerage account with Leerink Swann LLC.

Minimum investment requirements:

Lockwood - Northern Trust Investments – U.S. Balanced	\$250,000
Lockwood - Mastrapasqua & Associates - Mid-Cap Growth	\$100,000
Lockwood - Emerson Investment Management - Fixed Income	\$250,000
Lockwood Asset Allocation Model II, III and IV	\$50,000

Minimum investment requirements may be waived in the sole discretion of Leerink Swann.

## **Portfolio Manager Selection and Evaluation**

Client accounts are managed by Lockwood.

Lockwood – Lockwood conducts primary manager research, including a proprietary screening and evaluation of investment firms. A multi-step process is used in determining if managers are suitable for the Lockwood Program. Each manager is evaluated on the basis of information provided by the manager, including descriptions of its investment process, asset allocation models employed and sample portfolios to review securities selections. Lockwood will then verify the information provided by comparing it to other data from publicly available collection sources.

Information is verified on a continuing basis. Leerink relies on Lockwood to recommend when a manager should be replaced.

Leerink relies on Lockwood to calculate and/or review portfolio manager performance. The supervisor of Leerink's Wealth Management Group will periodically review information provided by Lockwood relating to portfolio manager performance.

In the event that Leerink expands the advisory program to include managers other than Lockwood, Leerink Swann will establish an Investment Committee charged with the responsibility for selecting and monitoring of the investment managers utilized. Factors analyzed in the selection process include (but are not limited to): performance, relative to peers and to benchmark; clarity and integrity of the investment process; quality and experience of the investment personnel; style consistency; risk management procedures; ownership structure and regulatory compliance.

Leerink IARs do not act as portfolio manager for any of the Programs.

## **Client Information Provided to Portfolio Managers**

Leerink introduces the client to Lockwood at the start of the relationship and provides those firms with information obtained from the client's new account form, including information about investment objectives, financial needs and requirements and risk tolerance, primarily to demonstrate the eligibility for the particular portfolio manager or investment management style. Updated client information will be provided to Lockwood as necessary.

## **Client Contact with Portfolio Managers**

Clients have no direct contact with the portfolio managers. All contact is facilitated by the Leerink IAR. However, clients receive regular written reports quarterly for accounts managed by Lockwood.

## **Additional Information**

### Disciplinary Information

On December 18, 2007, the Financial Industry Regulatory Authority ("FINRA") initiated regulatory action against Leerink citing Rules 2110, 3010, and 3310. FINRA alleged that the aggregate trade volume Leerink advertised in private service providers exceeded its executed trade volume for the same securities. Without admitting or denying the findings, Leerink agreed to an Acceptance, Waiver, and Consent ("AWC") and Leerink was censured and fined \$150,000. Leerink was required to revise its Written Supervisory Procedures. Such revisions were made in the first quarter of 2007.

On June 15, 2007, the National Association of Securities Dealers ("NASD") initiated regulatory action against Leerink alleging that Leerink failed to report symbols and transaction types, failed to disclose Leerink's capacity to customers, and failed to submit required Order Audit Trail System ("OATS") information violating order reporting, handling, best execution, short sales, trading halts and books and records rules. Leerink agreed to an AWC and Leerink was censured

and fined \$25,000. Leerink was required to revise written supervisory procedures regarding firm personnel registration and qualification, order handling, best execution, trade reporting, order marking and short sales requirements, trading halts, OATS reporting, and books and records requirements.

During a routine exam by the NASD in May 2004, NASD staff found that from about July 2002 to March 2005, Leerink omitted certain facts and/or used conditional or indefinite language in required disclosures on research reports and during public appearances. During the exit interview on September 10, 2004, the NASD identified instances of such omissions. Leerink enacted corrective measures during the May examination and agreed to an AWC on May 10, 2005 and agreed to all changes. Leerink was censured and fined \$15,000.

#### Other Financial Industry Activities and Affiliations

Leerink is a full-service FINRA member broker-dealer firm. Its business includes the retail sale of various traditional investment products. As such, Leerink's IARs are registered as broker-dealer agents and may receive commission-based compensation for the sale of securities products to clients.

It is estimated that 10% to 20% of Leerink's Private Client Group Manager's time will be dedicated to advisory activities with the balance being comprised of traditional retail and institutional brokerage services.

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

Leerink has adopted a written Code of Ethics ("Code") to mitigate any potential conflicts of interest involving personal trades. The Code includes formal personal securities and insider trading policies and procedures. Among other things, employs are required to:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Adviser above one's own personal interests;
- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to act in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

The Adviser's Code also requires employees to: pre-clear all personal securities transactions and to instruct the broker-dealer(s) to send duplicate account statements directly to Leerink. Leerink's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. Unless approval is received from the employee's supervisor and Leerink's Chief Compliance Officer, brokerage accounts are to be maintained at Leerink.

A copy of Leerink's Code shall be provided to any client or prospective client upon request.

As mentioned above, Leerink is a full service broker-dealer firm that engages in traditional retail and institutional brokerage services. On an occasional basis, Leerink may engage in or effect a transaction on behalf of a client while acting as principal for its own account. Leerink has a potential conflict of interest in transactions where it knowingly sells to or purchases securities from its own clients. Leerink will place the interests of its clients ahead of its own and of its officers, directors and employees and will not make such a recommendation unless it is determined to be in the best interest of the client. To mitigate any potential conflict of interest, Leerink will disclose in writing, prior to the completion of the transaction, the capacity in which Leerink is acting and obtain client consent to the transaction.

Leerink, its officers, partners, directors and/or employees may, on a restricted basis, buy or sell the same securities that are recommended to clients. IARs and their related accounts may trade in the same securities on the same side of the market (buy/sells) with customers on the same day only if the trade is executed in an average price account or Leerink's clients will be given the more advantageous price at the end of the day absent special circumstances.

#### Review of Accounts (Asset Management Services only)

Generally, client accounts are reviewed no less frequently than quarterly by the IAR and his/her supervisor. These reviews are designed to monitor and analyze client transactions, positions, and investment levels. Particular attention may be given to changes in company fundamentals, industry outlook, market outlook, and/or price levels. Leerink will contact clients at least annually to determine whether any changes have occurred with respect to client's financial situation or investment objectives. Reviews of client accounts may also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Statements will be issued monthly which will contain account value, allocation, positions, transactions and activity. Regular written reports are issued quarterly for accounts managed by a third party manager (i.e., Lockwood).

#### Client Referrals and Other Compensation

Leerink does not receive an economic benefit for providing investment advice or advisory services to clients from someone who is not a client.

Leerink does not directly or indirectly compensate any person for client referrals.



### Financial Information

Leerink does not require or solicit prepayment of fees six months or more in advance.

Leerink has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.



