

## ACCOUNT PACKET

# OPTIMUM MARKET PORTFOLIOS (OMP) PROGRAM FORM BROCHURE

LPL Financial LLC  
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This program brochure provides information about the qualifications and business practices of LPL Financial ("LPL"). If you have any questions about the contents of this brochure, please contact LPL at [lplfinancial.adv@lpl.com](mailto:lplfinancial.adv@lpl.com). 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 LPL also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 1 COVER PAGE

## ITEM 2 MATERIAL CHANGES

This Brochure contains changes from the last annual update of this Brochure dated March 31, 2011, some of which are summarized in this Item 2. The "Participation or Interest in Client Transactions" section under Item 9 of this Brochure was updated to provide further information regarding the types of reimbursement LPL may receive from product sponsors. This section of Item 9 was also updated to include information about benefits LPL receives on the short-term investment of cash in program accounts prior to the time the cash is invested for the account.

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## ITEM 4 SERVICES, FEES AND COMPENSATION

### Services

LPL sponsors various types of advisory programs, including wrap fee programs and mutual fund asset allocation programs. LPL makes these programs available to clients directly and also through third party investment advisor firms ("Advisor") and their associated persons. This Brochure provides a description of LPL's Optimum Market Portfolios ("OMP") program when offered through an Advisor. For more information about LPL's advisory services and programs other than OMP, please contact your Advisor for a copy of a similar brochure that describes such service or program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The OMP program is a professionally managed mutual fund asset allocation program in which LPL and Advisor provide ongoing investment advice. The Advisor obtains the necessary financial data from the client, assists the client in determining the suitability of the program and assists the client in setting an appropriate investment objective. The Advisor on a discretionary or non-discretionary basis selects a model portfolio of mutual funds ("Portfolio") designed by LPL's Research Department consistent with the client's stated investment objective. If client authorizes Advisor to take discretion to select Portfolios on behalf of client, such authority will be set out in the Account Agreement and Application signed by the client. The Portfolios are made up of mutual funds in the Optimum Funds mutual fund family. A Portfolio may include up to six Optimum Funds.

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LPL has discretion to buy and sell securities in the account and will invest the account based on the Portfolio selected. The client authorizes LPL to take discretion by executing the Account Agreement and Application. LPL rebalances accounts based on the allocations in the Portfolio as described below. LPL reviews the account for rebalancing on the frequency selected by the client at account opening or as altered by the Advisor or the client from time to time. The choices for frequency of rebalancing are quarterly (four times per year), semi-annually (two times per year) or annually (once per year). Accounts are reviewed on the frequency selected based on the anniversary date of account opening, or the next business day closest to the anniversary date, to determine if rebalancing is necessary. At each rebalancing review date, program accounts are rebalanced only if there is a 5% or greater deviation from LPL's targeted allocation percentage for the Portfolio, subject to a minimum transaction amount of \$250. The preference for rebalancing frequency may not be applicable if Advisor selects a Portfolio that is dynamically or tactically rebalanced by LPL. In this case, LPL will determine if rebalancing is necessary on at least a quarterly basis, or more frequently if deemed appropriate.

LPL invests deposits in an account according to the Portfolio at the time the account holdings reach a 5% or greater deviation from LPL's targeted allocation percentage for cash, subject to a minimum amount to be allocated of \$2,500. Although OMP accounts are not considered tax efficient or tax managed, LPL may delay placing transactions on non-retirement accounts by one day for any rebalancing scheduled to occur on the first one year anniversary date of the account opening in an attempt to limit short-term tax treatment for any position being sold. Liquidation requests in connection with withdrawals and requests related to changes in the Portfolio selected may take up to 5-7 days to process, and, in certain circumstances, may take longer.

In connection with the program, LPL also acts as custodian to accounts, provides research information to Advisor, provides brokerage services as the broker-dealer on transactions, and performs administrative services, such as quarterly performance reporting to clients.

### **Fee Schedule**

In the OMP program, clients pay LPL and Advisor an ongoing advisory fee ("Account Fee"). The Account Fee is negotiable between the client and the Advisor and is set out in the Account Application. The Account Fee is typically a straight percentage based on the value of all assets in the account, including cash holdings. The Account Fee also may be structured on a tiered basis, with a reduced percentage rate based on reaching certain thresholds. The maximum Account Fee is 2.50%. The Account Fee is paid to LPL, and LPL shares up to 95% with the Advisor pursuant to the agreement between LPL and Advisor. LPL and Advisor do not accept performance-based fees under OMP. LPL and Advisor do not accept performance-based fees under OMP.

### **How the Account Fee is Charged**

LPL deducts the Account Fee and other fees and charges associated with an OMP account from the account. LPL calculates and deducts the Account Fee in the method described in the Account Agreement, unless other arrangements are made in writing. If a client wishes to be billed for the Account Fee, rather than a deduction directly from the account, the client needs to make a request to LPL through the Advisor.

### **Payment in Advance and Refund of Pre-Paid Fees**

LPL deducts the Account Fee quarterly in advance. If the Account Agreement is terminated before the end of the quarterly period, LPL will pay the client a prorated refund of any pre-paid quarterly Account Fee based on the number of days remaining in the quarter after the termination date. However, if the account is closed within the first six months by the client or as a result of withdrawals that bring the account value below the required minimum, LPL and Advisor reserve the right to retain the pre-paid quarterly Account Fee for the current quarter in order to cover the administrative costs of establishing the account (for example, the costs related to transferring positions in and out of the account, data entry in opening the account, reconciliation of positions in order to issue quarterly performance reports, and re-registration of positions). After the termination date, LPL may convert the account to a brokerage account. In a brokerage account, client is charged a commission for each transaction and LPL and Advisor have no responsibility to provide ongoing investment advice.

### **Other Types of Fees and Expenses of LPL**

In addition to the Account Fee, LPL assesses a confirmation charge of \$5 on each purchase and sale transaction. The confirmation charge is identified under the service charge column on trade confirmations and represents a reimbursement of expenses associated with printing and mailing confirmations. LPL does not share any portion of the confirmation charge with Advisor. The confirmation charge may be higher or lower than commissions otherwise payable in the absence of the Account Fee. Clients also pay LPL other miscellaneous administrative or custodial-

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related fees and charges that may apply to an OMP account. LPL notifies clients of these charges at account opening and makes available a list of these charges on its website at [www.lpl.com](http://www.lpl.com).

### Fees Charged by Third Parties

There are other fees and charges that are imposed by third parties other than LPL that apply to investments in OMP accounts. In OMP, assets are invested in mutual funds and, therefore, there are two layers of advisory fees and expenses for those assets. Client will pay an advisory fee to the investment advisor of the Optimum Funds and other expenses as a shareholder of the Funds. Client will also pay LPL and Advisor the Account Fee with respect to those assets. The Optimum Funds or funds with similar investment objectives may be purchased outside of LPL. Therefore, clients could generally avoid the second layer of fees by not using the advisory services of LPL and Advisor and by making their own decisions regarding mutual fund investing. The amount of the advisory fees and other expenses of the Optimum Funds are set out in the prospectus and financial statements of the Optimum Funds, which are available upon request from Advisor or the Optimum Funds directly.

Advisor may charge fees in addition to the Account Fee. Clients should refer to the Firm Brochure of Advisor for more information regarding fees charged by Advisor.

### Important Things to Consider About Fees on an OMP Account

- The Account Fee is a single fee for investment advisory services and other administrative and custodial services. Clients do not pay a commission or transaction charge to LPL but do pay a confirmation charge as described above. The Account Fee may cost the client more than purchasing the program services separately, for example, paying an advisory fee plus commissions or transaction charges to a broker-dealer for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the:
  - o type and size of the account
  - o historical and or expected size or number of trades for the account, and
  - o number and range of supplementary advisory and client-related services provided to the client.
- The Account Fee may be higher than the fees charged by other investment advisors for similar services. This is the case in particular if the Account Fee is at or near the maximum Account Fee set out above. The Advisor is responsible for determining the Account Fee to charge each client based on factors such as total amount of assets involved in the relationship and the complexity, number and range of supplementary advisory and client-related services to be provided to the account. Clients should consider the level and complexity of the advisory services to be provided when negotiating the Account Fee with Advisor.
- The Advisor recommending the program to the client receives compensation as a result of the client's participation in the program. This compensation includes a portion of the Account Fee and also may include other compensation, such as bonuses, awards or other things of value offered by LPL to the Advisor. For example, LPL may pay additional compensation to Advisor by providing reimbursement of administrative services fees that Advisor pays to LPL, free or reduced-cost marketing materials, payments in connection with the transition of Advisor's business from another firm to LPL, or attendance at LPL's conferences or events. LPL may pay Advisor this compensation based on the Advisor's overall business production and/or on the amount of assets serviced in LPL advisory programs. Therefore, the amount of this compensation may be more than what Advisor would receive if the client participated in other LPL programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. Therefore, the Advisor may have a financial incentive to recommend a program account over other programs and services.
- The investment products available to be purchased in the program can be purchased by clients outside of an OMP account, through broker-dealers or other investment firms not affiliated LPL.

## ITEM 5 ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

LPL generally requires a minimum account value of \$15,000. In certain instances, LPL will permit a lower minimum account size. An account will not be invested according to the Portfolio until the minimum has been reached. The program is available for individuals, IRAs, banks and thrift institutions, pension and profit sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 ("ERISA"), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

## **OPTIMUM MARKET PORTFOLIOS PROGRAM FORM BROCHURE**

### **ITEM 6 PORTFOLIO MANAGER SELECTION AND EVALUATION**

In OMP, LPL does not select, review or recommend the services of other investment advisor or portfolio management firms. LPL and Advisor are responsible for the investment advice and management offered to clients, and the client selects the Advisor who services the account. Advisor is responsible for determining the standards required for its associated persons. For more information about the Advisor, client should refer to the Advisor's Firm Brochure, which client should have received at the time client opened the account.

In OMP, clients invest in Portfolios designed by LPL's Research Department. LPL's Research Department provides various types of advisory services. LPL Research provides research recommendations on asset allocation and mutual funds and ETFs. LPL Research provides investment advice on mutual fund selection and allocation through other LPL advisory programs, such as Model Wealth Portfolios and Personal Wealth Portfolios. LPL Research also reviews and recommends outside portfolio management firms for LPL's separately managed account wrap programs, Manager Select and Manager Access Select.

LPL Research designs different types of Portfolios for OMP to meet the varying needs of clients. The Advisor, or the client with the assistance of the Advisor, selects the Portfolio and provides advice based on the client's individual needs. LPL's Research Department uses the following investment strategies in designing Portfolios. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable.

- **Standard.** This investment strategy seeks to generate capital appreciation while assuming a reasonable amount of risk. These Portfolios are intended to take advantage of market opportunities that will occur or persist over a three-to-five-year time frame. These Portfolios invest in six Optimum Funds across the following asset classes: large growth, large value, small/mid growth, small/mid value, international, and fixed income.
- **U.S.** This investment strategy seeks to generate capital appreciation while assuming a reasonable amount of risk. These Portfolios are intended to take advantage of market opportunities that will occur or persist over a three-to-five-year time frame. These Portfolios invest in five Optimum Funds across the following asset classes: large growth, large value, small/mid growth, small/mid value, and fixed income. These portfolios do not invest in international.
- **Growth Tilt.** This investment strategy seeks to generate capital appreciation while assuming a reasonable amount of risk. These portfolios are intended to take advantage of market opportunities that will occur or persist over a three-to-five-year time frame. These Portfolios invest in six Optimum Funds across the following asset classes: large growth, large value, small/mid growth, small/mid value, international, and fixed income. The investment horizons on these Portfolios tend to be longer term. These Portfolios are overweighted to value relative to growth.
- **Value Tilt.** This investment strategy seeks to generate capital appreciation while assuming a reasonable amount of risk. These Portfolios are intended to take advantage of market opportunities that will occur or persist over a three-to-five-year time frame. These Portfolios invest in six Optimum Funds across the following asset classes: large growth, large value, small/mid growth, small/mid value, international, and fixed income. The investment horizons on these Portfolios are longer term. These Portfolios are overweighted to value relative to growth.

For Standard and U.S. Portfolios described above, LPL Research makes available a strategic or tactical version for each Portfolio. The strategic Portfolios are intended to take advantage of market opportunities that will occur or persist over a three-to-five-year time frame. The tactically managed Portfolios are intended to take advantage of short-, medium-, or long-term opportunities.

#### **Voting Client Securities**

In OMP, LPL and Advisors do not accept authority to vote client securities. Clients retain the right to vote all proxies that are solicited for securities held in the account. Clients will receive proxies or other solicitations from LPL. If clients have questions regarding the solicitation, they should contact the contact person that the issuer identifies in the proxy materials or their Advisor. In addition, LPL and Advisors do not accept authority to take action with respect to legal proceedings relating to securities held in the account.

### **ITEM 7 CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

The Advisor obtains the necessary financial data from the client and assists the client in setting appropriate investment objectives for the account. The Advisor obtains this information by having the client complete an Account Application which is a part of the Account Agreement. In quarterly communications, LPL asks clients to contact the Advisor if there have been any changes in the client's financial situation or

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investment objectives or if they wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions.

Clients should understand that the investment objective selected for the program in the Account Application is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. Client also should be aware that achievement of the stated investment objective is a long-term goal for the account.

### **ITEM 8 CLIENT CONTACT WITH PORTFOLIO MANAGERS**

LPL does not place any restrictions on a clients' ability to contact and consult with Advisors.

### **ITEM 9 ADDITIONAL INFORMATION**

#### **Disciplinary Information**

As an investment advisor and broker-dealer regulated by the SEC, LPL has been subject to the following SEC orders:

- The SEC found that LPL willfully violated Rule 30(a) of Regulation S-P, which requires broker-dealers and registered investment advisors to have written policies and procedures that are reasonably designed to safeguard customer records and information. The SEC ordered LPL to cease and desist from committing future violations of Rule 30(a), censured it for its conduct, and ordered it to pay the \$275,000 penalty (2008).
- The SEC found that LPL willfully violated Section 17(a)(2) of the Securities Act of 1933 and Rule 10b-10 under the Securities Exchange Act of 1934 in connection with the SEC's finding that LPL sold mutual fund shares as a broker-dealer without providing certain customers with breakpoint discounts. In connection with the SEC's order, LPL agreed to pay a fine of \$1,116,402 (2004).

LPL, as a broker-dealer, is a member of the Financial Industry Regulatory Authority ("FINRA") and has found to be in violation of FINRA's rules related to its brokerage activities. In particular, LPL consented to the following sanctions related to the following matters:

- LPL's procedures regarding its review of e-mail communications, resulting in a censure and fine of \$100,000 (2011).
- LPL's procedures on transmittals of cash and securities from customer accounts to third party accounts, resulting in a censure and fine of \$100,000 (2011).
- LPL's procedures on supervision of variable annuity exchanges, resulting in a censure and fine of \$175,000 (2010).
- Allegations that LPL failed to reasonably supervise a registered representative regarding his use of strategies and recommendations involving UITs, resulting in a censure and fine of \$125,000 (2008).
- LPL's procedures on supervision of variable annuity exchanges, resulting in a censure and fine of \$300,000 (2006).
- LPL's procedures regarding mutual fund Class B and Class C shares, resulting in a censure and fine of \$2,400,000 (2005).
- LPL's procedures on supervision activities of its registered representative in connection with wire transfers, resulting in a censure and fine of \$75,000 (2005).
- Allegations that LPL maintained revenue sharing programs in which mutual fund complexes paid a fee for preferential treatment, resulting in a censure and fine of \$3,602,398 (2005).
- Allegations regarding late filings to FINRA reporting obligations, resulting in a censure and fine of \$450,000 (2004).
- Allegations regarding failure to provide customers mutual fund breakpoint discounts, resulting in a censure and fine of \$2,232,805 (2004).

LPL, as a broker-dealer, is regulated by each of the 50 states and has been the subject to violation of state laws and regulations in connection with its brokerage activities. In particular, LPL has been the subject to the following orders:

- From the state of Illinois regarding allegations that LPL failed to reasonably supervise a registered representative in connection with the sale of oil and gas limited partnerships, resulting in a fine of \$167,796 (2010).
- From the state of Montana regarding allegations that LPL failed to supervise a registered representative to ensure compliance with the Montana Securities Act, resulting in a fine of \$150,000 (2009).
- From the state of Pennsylvania regarding allegations that LPL failed to maintain and enforce procedures for supervision of one of its registered representatives, resulting in a fine of \$230,000 (2007).

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LPL, as a broker-dealer, is regulated by each of the 50 states and has been the subject to orders related to the violation of state laws and regulations in connection with its brokerage activities. For more information about those state events and other disciplinary and legal events involving LPL and its IARs, client should refer to Investment Advisor Public Disclosure at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or FINRA BrokerCheck at [www.finra.org](http://www.finra.org).

### Other Financial Industry Activities and Affiliations

LPL is a broker-dealer registered with FINRA and the SEC. As a broker-dealer, LPL transacts business in various types of securities, including mutual funds, stocks, bonds, commodities, options, private and public partnerships, variable annuities, real estate investment trusts and other investment products. LPL is registered to operate in all 50 states and has primarily an independent-contractor sales force of registered representatives and investment advisor representatives dispersed throughout the United States. LPL has a small number of employee investment advisor representatives whose services are limited to servicing certain small IRA accounts. If required for their positions with a registered broker-dealer, LPL's principal executive officers are securities licensed as registered representatives of LPL. LPL is also registered as a transfer agent with the SEC and as a futures commission merchant with the Commodity Futures Trading Commission. In addition, LPL is qualified to sell insurance products in all 50 states.

Associated persons of Advisor may also be broker-dealer registered representatives of LPL or another broker-dealer. If an associated person of Advisor is a broker-dealer registered representative of LPL, that person is providing advisory services to the program account on behalf of Advisor. That person is not acting in a broker-dealer capacity or on behalf of LPL with respect to the services provided under the program.

LPL has an arrangement with Independent Advisers Group ("IAG"), a registered investment advisor and related person of LPL. IAG is an Advisor that offers the program to clients through its associated persons. IAG and LPL also contract with other Advisors to make the program available to clients through the other Advisor firms. In such case, LPL, IAG and the other Advisor firms share in the Account Fee. In addition, LPL has been retained by IAG to provide research services to IAG.

LPL and The Private Trust Company ("PTC"), a federally chartered non-depository bank licensed to provide trust services in all 50 states, are related persons. PTC serves as IRA custodian for program accounts set up as IRAs and receives an annual maintenance fee for this service. PTC also provides personal trustee services to clients for a variety of administrative fiduciary services, which services may relate to a program account. PTC's IRA custodian and trustee services and related fees are established under a separate engagement between the client and PTC.

### Code of Ethics and Personal Trading

LPL has adopted a code of ethics that includes guidelines regarding personal securities transactions of its employees and investment advisor representatives ("IARs"). The code of ethics permits LPL employees and IARs to invest for their own personal accounts in the same securities that LPL and IARs purchase for clients in program accounts. This presents a conflict of interest because trading by an employee or IAR in a personal securities account in the same security on or about the same time as trading by a client can disadvantage the client. LPL addresses this conflict of interest by requiring in its code of ethics that LPL employees and IARs report certain personal securities transactions and holdings to LPL. LPL has procedures to review personal trading accounts for front-running. In addition, employees in LPL's Research Department are required to obtain pre-clearance prior to purchasing certain securities for a personal account. Employees and IARs are also required to obtain pre-approval for investments in private placements and initial public offerings. A copy of the LPL code of ethics is available to clients or prospective clients upon request and is available on LPL's website [www.lpl.com](http://www.lpl.com).

### Participation or Interest in Client Transactions

LPL does not engage in principal transactions with its clients in OMP. LPL's parent company, LPL Investment Holdings Inc., is a publicly traded company. LPL Investment Holdings Inc. stock may not be purchased directly in OMP accounts.

LPL provides investment consulting services to the investment advisor of the Optimum Funds. These services include assisting the investment advisor in determining whether to engage, maintain or terminate sub-advisors for the Optimum Funds. As compensation for these services, LPL receives an investment consulting fee of up to 0.285% of assets from the investment advisor to the Optimum Funds. In addition, the Chief Financial Officer of LPL serves as a Trustee of the Optimum Funds.

LPL also performs recordkeeping and administrative services on behalf of the Optimum Funds and receives compensation for the services of up to 0.18% based on the OMP client assets in the fund. These services include establishing and maintaining sub-account records reflecting the issuance, exchange or redemption of shares by each program account. The receipt of this recordkeeping and investment consulting

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compensation by LPL presents a conflict of interest, because LPL has a financial benefit the more assets that are invested in the Optimum Funds. However, the investment consulting and recordkeeping compensation is retained by LPL and is not shared with Advisors. Therefore, there is no financial incentive related to this compensation for an Advisor to recommend an OMP account.

Cash balances in a program account will be automatically invested either in a money market mutual fund or in an interest-bearing Federal Deposit Insurance Corporation ("FDIC") –insured cash account (an "ICA"). The sweep money market funds available in the program pay 12b-1 fees higher than other money market funds. In addition, LPL receives compensation of up to 0.35% for recordkeeping services it provides for the funds. LPL also receives up to 0.15% of the assets invested in the sweep money market funds in connection with marketing support services LPL provides to the money market fund sponsor.

In connection with the ICA, LPL receives a fee equal to a percentage of the average daily deposit balance in the ICA. The fee paid to LPL may be at an annual rate of up to an average of 200 basis points as applied across all deposit accounts taken in the aggregate; therefore, on some accounts, fees to LPL may be higher or lower than this amount. The compensation LPL receives on an ICA may be higher than if a client invests in other sweep investment options. For additional information on the ICA, please see the ICA Disclosure Booklet available from Advisor.

The compensation that LPL receives related to the ICA and the sweep money market funds is in addition to the Account Fee received with respect to the assets in the sweep investment. This compensation related to the ICA and sweep money market funds presents a conflict of interest to LPL because LPL has a financial benefit if cash is invested in the ICA or funds. However, LPL Research does not take into account this compensation when it makes decisions on a Portfolio's allocation to cash.

Client should understand that LPL and Advisor may perform advisory and/or brokerage services for various other clients, and that LPL and Advisor may give advice or take actions for those other clients that differ from the advice given to the client. The timing and nature of any action taken for the account may also be different.

### **Review of Accounts**

LPL provides Advisor and clients with regular written reports regarding their accounts. LPL provides detailed quarterly performance reports describing account performance and positions. In addition, LPL transmits to clients account statements showing transactions, positions, and deposits and withdrawals of principal and income. Portfolio values and returns shown in performance reports for the year-end time period may include mutual fund dividends paid out prior to December 31 but that were posted to the account within the first 2 business days of the subsequent year. The inclusion of such dividends in the year-end performance report may cause discrepancies between the report and the account statement client receives from LPL for the same period.

### **Other Compensation**

LPL and LPL employees may receive additional compensation from product sponsors. Such compensation may not be tied to the sales of any products or services. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. Product sponsors may also pay for, or reimburse LPL for the costs associated with, education or training events that may be attended by LPL employees and for LPL-sponsored conferences and events. LPL also receives reimbursement from product sponsors for technology-related costs associated with investment proposal tools it makes available to Advisor and its IARs for use with clients.

LPL may receive compensation in the form of earnings on its short-term investment of cash in program accounts prior to the time the cash is invested for the account (typically, not more than a business day). These earnings are generally known as "float." Cash in the account would typically result from contributions to the account or sales of securities in the account.

### **Financial Information and Custody**

LPL is a qualified custodian as defined in Rule 206(4)-2 under the Investment Advisers Act of 1940 and maintains custody of OMP client funds and securities in a separate account for each client under the client's name. LPL as a qualified custodian sends account statements showing all transactions, positions, and all deposits and withdrawals of principal and income. LPL sends account statements monthly when the account has had activity or quarterly if there has been no activity. Clients should carefully review those account statements.

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### Brokerage Practices

In OMP, LPL requires that clients direct LPL as the sole and exclusive broker-dealer to execute transactions in the account. Clients should understand that not all advisors or program sponsors require their clients to direct brokerage. However, clients should understand that LPL is not paid a commission or transaction charge for executing transactions in OMP accounts and execution is made at the net asset value of the mutual fund.

LPL will aggregate transactions for a client with other clients. LPL also will aggregate rebalancing transactions for an account with other program accounts. Due to the large number of accounts that may be involved in rebalancing transactions on a single day, LPL may effect transactions for some accounts on one day and for other accounts on the following day or days. In such case, LPL will have discretion to sequence the accounts involved in rebalancing transactions with the goal of treating all accounts equitably over time.

### ERISA Disclosure

LPL provides advisory services under the program as an investment advisor under the Investment Advisers Act of 1940. To the extent that LPL has or exercises discretionary authority under the Account Agreement with respect to the management of assets of (or otherwise provides "investment advice" under the Account Agreement as defined under Section 3(21) of ERISA to) a Plan subject to ERISA, LPL will be deemed a "fiduciary" as such term is defined under Section 3(21) of ERISA with respect to such advisory services. Unless specifically agreed to in writing, LPL does not serve as an "investment manager," as such term is defined under Section 3(38) of ERISA.

### Brochure Supplements

Accompanying this Brochure are Brochure Supplements for individual employees of LPL. Note that although these individuals are responsible for investment advice provided by LPL, they are not responsible for the ongoing individualized investment advice provided to a particular client. For more information about the Advisor, client should refer to the Advisor's Firm Brochure, which should have been provided at the time client opened the account. If client did not receive Advisor's Firm Brochure, the client should contact the Advisor.

#### Brochure Supplements for Certain LPL Financial Employees:

|                      |  |
|----------------------|--|
| George Burton White  | LPL Financial LLC                                    |
| Jeffrey Kleintop     | One Beacon Street, 22nd Floor, Boston, MA 02108-3106 |
| John J. Canally, Jr. | (617) 423-3644                                       |
| Derek Schug          | <a href="http://www.lpl.com">www.lpl.com</a>         |
| John Guthery         |  |
| Christopher Arthur   |  |
| Anthony Valeri       | LPL Financial LLC                                    |
|                      | 9785 Towne Centre Drive, San Diego, CA 92121         |
|                      | (800) 558-7567                                       |

March 31, 2012

This Brochure Supplement provides information about certain LPL employees that supplements the LPL Financial Brochure that is attached to this Brochure Supplement. Please contact LPL Financial at the number above if you did not receive the LPL Financial Brochure or if you have any questions about the contents of this Brochure Supplement.

Additional information about these employees is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Note that although these LPL employees included in this Brochure Supplement are responsible for investment research provided by LPL, they are not the individuals responsible for the ongoing individualized investment advice provided to a particular client. For more information about the Advisor and IAR managing the account, client should refer to the Advisor's Firm Brochure and the Brochure Supplement for the IAR, which should have been provided at the time client opened the account. If client did not receive these documents related to Advisor and the IAR, client should contact the Advisor or its IAR.



## **ACCOUNT PACKET**

# **OPTIMUM MARKET PORTFOLIOS PROGRAM FORM BROCHURE**

### **GEORGE BURTON WHITE**

#### **Educational Background and Business Experience**

George Burton White was born in 1969. He has a BBA from the College of William and Mary. He is a Managing Director and Chief Investment Officer of LPL, and has served in that position since 2009. He joined LPL in 2007 as a Managing Director and Director of Research. Prior to joining LPL, he was Managing Director and Director of Research at Wachovia Securities from 2000 to 2007.

#### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

#### **Other Business Activities**

Mr. White is a registered representative of LPL, a registered broker-dealer and member of FINRA. Although Mr. White is a registered representative, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.

#### **Additional Compensation**

As an employee of LPL, Mr. White receives a regular salary and bonus.

#### **Supervision**

As Chief Investment Officer of LPL, Mr. White is responsible for the advice provided by the LPL Research Department through LPL's advisory programs. The LPL Investment Policy Committee is responsible for general oversight of LPL's advisory programs, including review of certain services and products offered through the programs. The advice provided by Mr. White also is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

### **JEFFREY KLEINTOP**

#### **Educational Background and Business Experience**

Jeffrey Kleintop was born in 1969. He has a BS in Business Administration from the University of Delaware and an MBA from Pennsylvania State University. He is the Chief Market Strategist of LPL, and has served in that position since 2007. Prior to joining LPL, Mr. Kleintop was the Chief Investment Strategist at PNC Capital Markets.

#### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

#### **Other Business Activities**

Mr. Kleintop is a registered representative of LPL, a registered broker-dealer and member of FINRA. Although Mr. Kleintop is a registered representative, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products. Mr. Kleintop is the author of the book *Market Evolution: How to Profit in Today's Changing Financial Markets*, which was published in 2006.

#### **Additional Compensation**

As an employee of LPL, Mr. Kleintop receives a regular salary and bonus.

#### **Supervision**

Mr. Kleintop's advisory activities primarily relate to the financial markets in general. He reports to Mr. White, the Chief Investment Officer of LPL. Any advice he provides to clients is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

## **ACCOUNT PACKET**

# **OPTIMUM MARKET PORTFOLIOS PROGRAM FORM BROCHURE**

### **JOHN J. CANALLY, JR.**

#### **Educational Background and Business Experience**

John J. Canally, Jr. was born in 1964. He has a BA from Villanova University. He is Senior Vice President and Economist at LPL and joined the LPL Research Department in 2007. Prior to joining LPL, he was a Senior Investment Strategist at PNC Wealth Management.

#### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

#### **Other Business Activities**

Mr. Canally is a registered representative of LPL, a registered broker-dealer and member of FINRA. Although Mr. Canally is a registered representative, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.

#### **Additional Compensation**

As an employee of LPL, Mr. Canally receives a regular salary and bonus.

#### **Supervision**

Mr. Canally reports up to Mr. White, the Chief Investment Officer of LPL. Any advice provided to clients by Mr. Canally is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

### **ANTHONY VALERI**

#### **Educational Background and Business Experience**

Anthony Valeri was born in 1969. He has a BA from the University of California at San Diego. He is Senior Vice President, Market Strategist, at LPL and joined the LPL Research Department in 2002. He has been employed by LPL since 1994.

#### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

#### **Other Business Activities**

Mr. Valeri is a registered representative of LPL, a registered broker-dealer and member of FINRA. Although Mr. Valeri is a registered representative, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.

#### **Additional Compensation**

As an employee of LPL, Mr. Valeri receives a regular salary and bonus.

#### **Supervision**

Mr. Valeri reports up to Mr. White, the Chief Investment Officer of LPL. Any advice provided to clients by Mr. Valeri is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

### **DEREK SCHUG**

#### **Educational Background and Business Experience**

Derek Schug was born in 1970. He has a BS in Economics from Vanderbilt University. He is a Vice President at LPL and joined the LPL Research Department in 2005. Prior to joining LPL, he worked at Columbia Management.

## **ACCOUNT PACKET**

# **OPTIMUM MARKET PORTFOLIOS PROGRAM FORM BROCHURE**

### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

### **Other Business Activities**

Mr. Schug is a registered representative of LPL, a registered broker-dealer and member of FINRA. Although Mr. Schug is a registered representative, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.

### **Additional Compensation**

As an employee of LPL, Mr. Schug receives a regular salary and bonus.

### **Supervision**

Mr. Schug reports up to Mr. White, the Chief Investment Officer of LPL. Any advice provided to clients by Mr. Schug is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

## **JOHN GUTHERY**

### **Educational Background and Business Experience**

John Guthery was born in 1968. He has a BA from Georgetown University and a MBA from Babson College. He is a Senior Vice President at LPL and joined the LPL Research Department in 1996. Prior to joining LPL, he worked at Liberty Financial.

### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

### **Other Business Activities**

Mr. Guthery is a registered representative of LPL, a registered broker-dealer and member of FINRA. Although Mr. Guthery is a registered representative, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.

### **Additional Compensation**

As an employee of LPL, Mr. Guthery receives a regular salary and bonus.

### **Supervision**

Mr. Guthery reports up to Mr. White, the Chief Investment Officer of LPL. Any advice provided to clients by Mr. Guthery is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

## **ACCOUNT PACKET**

# **OPTIMUM MARKET PORTFOLIOS PROGRAM FORM BROCHURE**

### **CHRISTOPHER ARTHUR**

#### **Educational Background and Business Experience**

Christopher Arthur was born in 1976. He has a BS in Finance and Marketing from Susquehanna University and a MBA from Boston University. He is a Vice President at LPL and joined the LPL Research Department in 2005. Prior to joining LPL, he worked on the portfolio management team on State Street Global Advisor's passive international products.

#### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

#### **Other Business Activities**

Mr. Arthur is a registered representative of LPL, a registered broker-dealer and member of FINRA. Although Mr. Arthur is a registered representative, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.

#### **Additional Compensation**

As an employee of LPL, Mr. Arthur receives a regular salary and bonus.

#### **Supervision**

Mr. Arthur reports up to Mr. White, the Chief Investment Officer of LPL. Any advice provided to clients by Mr. Arthur is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

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