

ACCOUNT PACKET

MARKET PACE II

PROGRAM BROCHURE

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This wrap fee program brochure provides information about the qualifications and business practices of Independent Advisers Group Corporation (“IAG”). If you have any questions about the contents of this brochure, please contact your financial professional or IAG at [advbrochure@iag.com](mailto:advbrochure@iag.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 IAG 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. The following is a summary of certain changes. The “Participation or Interest in Client Transactions” section under Item 9 was updated to include information about the one-time set up fee LPL may charge to mutual fund product sponsors to add a new fund to its recordkeeping platform. The “Other Compensation” section of Item 9 was updated to provide further information regarding the types of reimbursement IAG and 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

IAG offers various types of advisory services and programs, including wrap fee programs and mutual fund asset allocation programs. IAG makes these programs available to clients directly through its own investment advisor representatives (“IARs”) and also through IARs of third party investment advisor firms (“Advisors”). This Brochure provides a description of the advisory services offered under IAG’s Market Pace II

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program. For more information about IAG's advisory services and programs other than Market Pace II, please contact your IAR 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).

In the Market Pace II program, IARs provide ongoing investment advice and management on assets in the client's account. IARs provide advice on the purchase and sale of various types of investments, such as mutual funds, exchange-traded funds ("ETFs"), variable annuity subaccounts, equities, and fixed income securities. IARs provide advice that is tailored to the individual needs of the client based on the investment objective chosen by the client. Clients may impose restrictions on investing in certain securities or groups of securities by indicating in the Account Application.

LPL Financial LLC ("LPL"), a related person of IAG, acts as custodian to program accounts, provides brokerage and execution services as the broker-dealer on transactions in accounts, and provides research information to Advisors and IARs.

### **Fee Schedule**

In the Market Pace II program, clients pay IAG a single wrap fee ("Account Fee") for advisory services and execution of transactions through LPL. Clients do not pay IAG, LPL or IARs brokerage commissions, markups or transaction charges for execution of transactions in addition to the Account Fee. The Account Fee is negotiable between the client and the IAR and is set out in the Account Application. The Account Fee is a straight percentage based on the value of all assets in the account, including cash holdings. The maximum Account Fee is 3.00%.

The Account Fee is paid to IAG and IAG retains up to 0.50% of the Account Fee. The remaining portion of the Account Fee is paid to the Advisor or broker-dealer firm with whom the IAR is associated based on the terms of the agreement between IAG and the firm and shared between the firm and the IAR. IAG also shares a portion of the Account Fee with LPL for the research services it provides and also for administrative services LPL performs for accounts.

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

IAG deducts the Account Fee and other fees and charges associated with a program account from the account. IAG 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 IAG through the IAR.

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

IAG deducts the Account Fee quarterly in advance. If the Account Agreement is terminated before the end of the quarterly period, IAG will pay the client a pro rated 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, IAG reserves 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, IAG may convert the account to a brokerage account at LPL. In a brokerage account, client is charged a commission for each transaction, and LPL, IAG and the IAR have no responsibility to provide ongoing investment advice.

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

In addition to the Account Fee, IAG charges client accounts with assets valued at less than \$100,000 an additional \$10 quarterly fee at the end of the quarter.

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### Other Types of Fees and Expenses of LPL

In addition to the Account Fee, clients pay LPL as custodian and broker-dealer various miscellaneous administrative or custodial-related fees and charges that relate to a program account. IAG and LPL notify clients of these charges at account opening.

### Fees Charged by Third Parties

There are other fees and charges that are imposed by third parties other than IAG and LPL that apply to investments in program accounts. Some of these fees and charges are described below. If a client's assets are invested in mutual funds or other pooled investment products, clients should be aware that there will be two layers of advisory fees and expenses for those assets. Client will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. Client will also pay the Account Fee with respect to those assets. Most of the mutual funds available in the program may be purchased directly. Therefore, clients could generally avoid the second layer of fees by not using the advisory services of IAG and IAR and by making their own decisions regarding the investment.

If client transfers into a program account a previously purchased mutual fund, and there is an applicable contingent deferred sales charge on the fund, client will pay that charge when the mutual fund is sold. If the account is invested in a mutual fund that charges a fee if a redemption is made within a specific time period after the investment, client will be charged a redemption fee. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting).

Although IAG makes available to be purchased in program accounts only no-load and load-waived mutual funds, LPL as broker-dealer receives asset based sales charges or service fees (e.g., 12b-1 fees) from certain mutual funds with respect to accounts that are not retirement accounts. A retirement account for purposes of this Brochure is an account held by a plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA") or an account otherwise subject to Section 4975 of the Internal Revenue Code (e.g., an individual retirement account or IRA). Some mutual funds make available share classes that do not pay 12b-1 fees (e.g., institutional share classes) only if a client's holding meets a certain asset minimum.

The receipt of 12b-1 fees by LPL presents a conflict of interest because it gives IAG an incentive to recommend mutual funds for non-retirement accounts based on the compensation received by its affiliate rather than on a client's needs. However, LPL does not share 12b-1 fees with IAG, Advisor, IAR or IAR's affiliated broker-dealer firm. Therefore, the IAR does not have a financial incentive to recommend one fund over another because of this compensation. For retirement accounts, 12b-1 fees paid to LPL by mutual funds held in the account are credited to the account. In addition, in connection with any research information or recommendations provided to Advisor and IARs by LPL, LPL's Research Department does not take into account whether or not LPL receives 12b-1 compensation when it recommends a mutual fund and generally recommends the least expensive share class that the fund makes available to program clients.

If client holds a variable annuity as part of an account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor. If client holds a UIT in the program account, UIT sponsors charge creation and development fees or similar fees. Further information regarding fees assessed by a mutual fund, variable annuity or UIT is available in the appropriate prospectus, which is available upon request from the IAR or from the product sponsor directly.

Certain of the mutual funds available in the program are affiliated with the Advisor or third party broker-dealer firm with whom the IAR is registered. As a consequence, investment in an affiliated mutual fund generates additional compensation to the firm or its affiliates, including, among other types of compensation, fund-level management fees. However, LPL, IAG and the IAR do not receive this internal fund level

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compensation. Neither LPL nor IAG have any financial incentive to recommend a fund affiliated with an Advisor or a broker-dealer firm with whom an IAR is registered.

### Important Things to Consider About Fees on a Market Pace II Account

- The Account Fee is an ongoing wrap fee for investment advisory services, the execution of transactions and other administrative and custodial services. The Account Fee may cost the client more than purchasing the program services separately, for example, paying an advisory fee plus commissions 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:
  - type and size of the account
  - historical and or expected size or number of trades for the account, and
  - number and range of supplementary advisory and client-related services provided to the client.
- Although clients do not pay a transaction charge to LPL for transactions in a Market Pace II account, clients should be aware that IARs pay LPL transaction charges for those transactions. The transaction charges paid by IARs vary based on the type of account (whether retirement or non-retirement), the type of transaction (e.g., mutual fund, equity or fixed income security) and for mutual funds based on whether or not the mutual fund pays 12b-1 fees and/or recordkeeping fees that are retained by LPL in amounts sufficient to cover the majority of LPL's trading costs. For mutual funds, the transaction charges range from \$0 to \$30. Because the IAR pays the transaction charges in Market Pace II accounts, there is a conflict of interest. Clients should understand that the cost to IAR of transaction charges may be a factor that the IAR considers when deciding which securities to select and how frequently to place transactions in a Market Pace II account.
- The Account Fee also may cost the client more than if assets were held in a traditional brokerage account. In a brokerage account, a client is charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a brokerage account rather than a program account.
- 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 IAR is responsible for determining the Account Fee to charge each client based on factors such as total amount of assets involved in the relationship, type of securities to be held in the account (e.g., mutual funds vs. individual securities), the complexity and mix of the portfolio, and the 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 IAR.
- The IAR recommending the program to the client and the Advisor or broker-dealer firm with whom the IAR is registered receive 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 IAG to the IAR or the firm. Therefore, the amount of this compensation may be more than what the IAR or the firm would receive if the client participated in other IAG programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. Therefore, the IAR and the firm 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 a Market Pace II account, through broker-dealers or other investment firms not affiliated with IAG or LPL.

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### **ITEM 5 ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

A minimum account value of \$25,000 generally is required for the program. In certain instances, IAG will permit a lower minimum account size. The program is available for individuals, IRAs, banks and thrift institutions, pension and profit sharing plans, including plans subject to ERISA, trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

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

In Market Pace II, IAG does not select, review or recommend other investment advisors or portfolio managers. IAG and IARs are responsible for the investment advice and management offered to clients, and the client selects the IAR who manages the account. For IARs of IAG, IAG generally requires that individuals involved in determining or giving investment advice have at least two years financial planning, advisory or brokerage-related experience. For IARs associated with an Advisor, the Advisor is responsible for determining the standards required for its IARs to provide investment advice to program accounts. Each IAG IAR is also generally required to possess a FINRA Series 6, 7, 65, or 66 license. For more information about the IAR managing the account, client should refer to the Brochure Supplement for the IAR, which client should have received along with this Brochure at the time client opened the account.

IAG does not calculate the performance record of IARs, however, IAG does calculate performance for each program account. IAG provides clients with individual quarterly performance reports, which provides performance information on a time weighted basis. IAG performance reports are intended to inform clients as to how their investments have performed for a period, both on an absolute basis and compared to leading investment indices.

IAG sponsors other types of advisory programs. The Market Pace program is similar to Market Pace II, in that the IAR provides the investment advice and management, except that in Market Pace the client pays LPL the transaction charges rather than the IAR. IAG also offers the mutual fund asset allocation program, Optimum Market Portfolios ("OMP"). In OMP, LPL is responsible for the discretionary advisory services and IAG and the IARs are responsible for ongoing investment advice on the suitability of the program for the client. IAG and IARs do not accept performance-based fees under the program.

#### **Investment Discretion**

In Market Pace II, the IAR provides advisory services primarily on a non-discretionary basis, so that the client directs the purchase and sale of securities in the account. If advisory services are provided on a discretionary basis, clients will provide that authorization in writing to IAG and IAR.

#### **Methods of Analysis and Investment Strategies**

Each IAR managing a program account chooses his/her own research methods, investment strategy and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable. The IAR has access to various research reports, including those provided by LPL's Research Department, to which he/she may refer in determining which securities to purchase or sell.

LPL's Research Department makes recommendations regarding asset allocation, mutual funds, variable annuity subaccounts and ETFs. IARs may or may not follow these recommendations in managing program accounts. LPL Research also constructs asset allocation model portfolios and provides recommendations on the funds to populate the model portfolios. In constructing these models, LPL Research uses the following investment strategies: Diversified, Diversified Plus, and Alternative Strategy. Although these descriptions are written in terms of individual equities and/or bonds, they include mutual funds or ETFs whose portfolios consist of the type of equities or bonds referenced.

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- **Diversified.** The Diversified investment strategy seeks to promote capital appreciation while taking a reasonable amount of risk to achieve that goal. The strategy is subject to minimal constraints, which allows for a relatively pure implementation of LPL Research's investment advice. In general, Diversified portfolios should be considered by investors seeking investments in primarily stocks and bonds, along with the occasional non-traditional asset class to take advantage of potential market opportunities. Diversified portfolios will hold primarily traditional asset classes. Secondly, if a non-traditional asset class represents the investment that provides the most appropriate means of taking advantage of a market opportunity, it will be included in the recommendation. The non-traditional investments included in Diversified portfolios are more standard, such as conservative balanced strategies. Diversified portfolios tend to be steady in their number of positions. These portfolios tend to remain consistently diversified.
- **Diversified Plus.** The Diversified Plus investment strategy seeks to promote capital appreciation by seeking an appropriate balance of return potential and risk control. Diversified Plus portfolios are more suited to those investors who seek investment opportunities, regardless of asset class, and are comfortable holding esoteric investments. Diversified Plus portfolios include any asset class — including alternative strategy asset classes that may incorporate strategies such as Absolute Return or Managed Futures. Diversified Plus portfolios look both at traditional and non-traditional asset classes and may hold more esoteric investments, if that is considered the most appropriate opportunity. If many opportunities exist in the market, Diversified Plus portfolios can be constructed using a wider array of asset classes and may include a larger number of targeted investments to gain desired exposures. Alternatively, if there are fewer opportunities, Diversified Plus portfolios will be more concentrated in fewer holdings.
- **Alternative Strategy.** The Alternative Strategy investment strategy seeks to promote capital appreciation while taking a reasonable amount of risk to achieve that goal. Unlike the other two strategies that may have an allocation to alternative strategy or non-traditional assets classes, this portfolio typically has an allocation to non-traditional asset classes. This strategy extends the diversification beyond the core style box asset classes into strategies with lower correlation to stocks and bonds in order to lower risk, as defined by standard deviation and maximum drawdown (peak to trough loss), while attempting to maintain long-term performance similar to other portfolios in the same investment objective.

For each of the above investment strategies, LPL Research recommends a strategic or tactical version.

- **Strategic.** Strategic portfolios typically have a three- to five-year time horizon. The allocations within these portfolios are intended to help take advantage of market opportunities LPL Research believes will occur or persist throughout that time frame. Although LPL Research recommends investments through a three- to five-year lens, LPL Research may recommend that these portfolios be traded for fine tuning throughout the year. For clients who take a longer term view or are more tax sensitive, a strategic implementation may be more appropriate.
- **Tactical.** Tactical portfolios are more flexible and are designed to help take advantage of short-, mid-, and long-term opportunities the markets present. LPL Research recommends that these portfolios invest in opportunities for as short as one week and as long as five years. Due to the tactical nature, the trading is notably more frequent than strategic portfolios. Tactically managed portfolios should be considered by clients who wish to take advantage of shorter-term market opportunities that may arise and are not opposed to the prospect of more frequent trading.

It is important to note that although LPL Research makes available its recommendations and investment strategies, an IAR may take into consideration these recommendations and strategies to a limited extent or not at all. Clients should contact the IAR managing his/her accounts for additional information on the IAR's particular investment strategy. It is also important to note that an IAR may use a combination of investment strategies.

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### Types of Investments and Risks

In Market Pace II, IARs can recommend many different types of securities, including mutual funds, unit investment trusts ("UITs"), closed end funds, ETFs, variable annuity subaccounts, equities, fixed income securities, options, hedge funds, managed futures, and structured products. IAG determines the types of investments that are eligible to be purchased in program accounts. Investing in securities involves the risk of loss that clients should be prepared to bear. Described below are some particular risks associated with some types of investments available in the program.

- **Alternative Strategy Mutual Funds.** Certain mutual funds available in the program invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry.
- **Closed-End Funds.** Client should be aware that closed-end funds available within the program may not be readily marketable. In an effort to provide investor liquidity, the funds may offer to repurchase a certain percentage of shares at net asset value on a periodic basis. Thus, clients may be unable to liquidate all or a portion of their shares in these types of funds.
- **Exchange-Traded Funds (ETFs).** ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.
- **Exchange-Traded Notes (ETNs).** An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows. The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer's ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer's credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks.
- **Leveraged and Inverse ETFs, ETNs and Mutual Funds.** Leveraged ETFs, ETNs and mutual funds, sometimes labeled "ultra" or "2x" for example, are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual re-setting of returns within the product may add to the underlying costs and

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increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions are magnified over time. Because of these distortions, these products should be actively monitored, as frequently as daily, and may not be appropriate as an intermediate or long-term holding. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds.

- **Options.** Certain types of option trading are permitted in order to generate income or hedge a security held in the program account; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and the program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account.
- **Structured Products.** Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.
- **High-Yield Debt.** High-yield debt is issued by companies or municipalities that do not qualify for "investment grade" ratings by one or more rating agencies. The below investment grade designation is based on the rating agency's opinion of an issuer that it has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer's financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond's market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.
- **Variable Annuities.** If client purchases a variable annuity that is part of the program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.



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### Voting Client Securities

In Market Pace II, IAG and IARs 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 IAR. In addition, IAG and IARs 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 IAR obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective for the account. The IAR obtains this information by having the client complete an Account Application which is a part of the Account Agreement. In quarterly communications, IAG asks clients to contact the IAR if there have been any changes in the client's financial situation or investment objectives or if they wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. Client should be aware 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 should further be aware that achievement of the stated investment objective is a long-term goal for the account.

### ITEM 8 CLIENT CONTACT WITH PORTFOLIO MANAGERS

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

### ITEM 9 ADDITIONAL INFORMATION

#### Disciplinary Information

IAG does not have any disciplinary events to include in response to this Item. However, its related person, LPL, is an investment advisor regulated by the SEC and a broker-dealer regulated by the SEC and the Financial Industry Regulatory Authority ("FINRA"). For more information about disciplinary and legal events involving LPL, 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

If required for their positions with LPL, IAG's principal executive officers are securities licensed as registered representatives of LPL. IARs are registered either as investment advisor representatives of IAG or Advisor firm. If the IARs are registered with IAG, those IARs typically are registered representatives of a broker-dealer firm that is not affiliated with LPL or IAG. In addition, IARs that are associated with an Advisor (and not IAG) also may be registered representatives of Advisor or a broker-dealer affiliate of Advisor. IAG and Advisor are not affiliated.

IAG and LPL are related persons. 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 an independent-contractor sales force of registered representatives and IARs dispersed throughout the United States. 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.

Certain executive officers and other employees of IAG are also executive officers, employees, registered representatives, insurance agents and investment advisor representatives of LPL. These individuals may spend as much as 75% of their time focusing on the activities of LPL.

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IAG 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**

IAG has adopted a code of ethics that includes guidelines regarding personal securities transactions of its employees and IARs. The code of ethics permits employees and IARs to invest for their own personal accounts in the same securities that IAG 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. IAG addresses this conflict of interest by requiring in its code of ethics that employees and IARs report certain personal securities transactions and holdings to IAG. IAG has procedures to review personal trading accounts for front-running. Employees and IARs are also required to obtain pre-approval for investments in private placements and initial public offerings. A copy of the code of ethics is available to clients or prospective clients upon request to the IAR.

### **Participation or Interest in Client Transactions**

IAG and LPL do not engage in principal transactions with clients in program accounts.

LPL provides investment consulting services to the investment advisor of the Optimum Funds mutual fund family. 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 IAG and LPL serves as a Trustee of the Optimum Funds. The Optimum Funds are available to be purchased and sold in program accounts. The receipt of this investment consulting compensation by LPL presents a conflict of interest, because LPL has a financial benefit if an Optimum Fund is purchased in an account. However, the investment consulting compensation is retained by LPL and is not shared with IAG, Advisor or IARs. Therefore, there is no financial incentive because of this compensation for an IAR to recommend an Optimum Fund for purchase in a program account.

LPL performs recordkeeping and administrative services on behalf of mutual funds and receives compensation for the services based on positions held by program clients. These services include establishing and maintaining sub-account records reflecting the issuance, exchange or redemption of shares by each program account. The compensation LPL receives for these services may be paid based on program client assets in the fund (up to 0.25%) or number of positions held by program clients in the fund (up to \$20 per position). In addition, LPL may charge mutual fund product sponsors a one-time set up fee of up to \$5000 per mutual fund to add the fund to its recordkeeping platform. LPL does not share this compensation with IAG, Advisor or IARs. However, LPL uses the recordkeeping fees it receives to reduce its trading costs and assesses a lower transaction charge for mutual funds that pay recordkeeping fees to LPL. Clients should remember that the IAR pays the transaction charges in program accounts, and that the level of transaction charges may be a factor that the IAR considers when deciding which mutual funds to select for a non-retirement account.

If the account is a retirement (or non-retirement but ineligible) account, cash balances are automatically invested in a money market fund. 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% of the assets in the funds 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.

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If a client has a non-retirement (and otherwise eligible) account, cash balances will be automatically invested in an interest-bearing Federal Deposit Insurance Corporation ("FDIC") –insured cash account (an "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 IAR.

This 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 IAG because its affiliate has a financial benefit if cash is invested in the ICA or funds. However, this compensation is retained by LPL and is not shared with IAG, Advisor or IARs. Therefore, this compensation does not cause an IAR to have a financial incentive to recommend that cash be held in the account.

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

### **Review of Accounts**

IAG reviews program accounts of IARs registered with IAG using a risk based exception reporting system that flags accounts on a quarterly basis for criteria such as performance, trading activity, and concentration. The Chief Compliance Officer of IAG oversees the process for reviewing flagged accounts. For accounts of IARs that are registered with an Advisor, these flagged accounts are reviewed by the Advisor according to procedures developed by the Advisor. The IARs also will review monthly or quarterly accounts statements as well as quarterly performance reports.

IAG provides clients with regular written reports regarding their accounts. IAG provides detailed quarterly performance reports describing account performance and positions. IAG also provides an additional year-end report for accounts not established on a calendar quarter basis. In addition, LPL sends to clients trade confirmations and account statements showing transactions, positions, and deposits and withdrawals of principal and income. LPL does not send trade confirmations for systematic purchases, systematic redemptions and systematic exchanges. 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**

The IAR, Advisor, IAG, LPL and their employees may receive additional compensation from advisory product sponsors. However, such compensation may not be tied to the sales of any products. 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 or IAG for the costs associated with, education or training events that may be attended by employees and IARs and for conferences and events sponsored by LPL or IAG.

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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. LPL does not share this compensation with IAR.

LPL as broker-dealer may receive compensation for directing orders in securities (such as options) to particular broker-dealers or market centers for execution. The source and nature of compensation received in connection with trades for client accounts is available at [www.lpl.com](http://www.lpl.com) and can also be furnished upon written request.

### Client Referrals

IAG compensate other persons for client referrals for program accounts. IAG enters into an agreement with such referral agents and pays them a portion of the ongoing Account Fee. The referral agent discloses to the client at the time of the solicitation the arrangement and the compensation to be received by the referral agent.

### Financial Information and Custody

For Market Pace II accounts, LPL is a qualified custodian and maintains custody of client funds and securities in a separate account for each client under the client's name. LPL 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. LPL is located at One Beacon Street, 22nd Floor, Boston, MA 02108-3106 and 9785 Towne Centre Drive, San Diego, CA 92121.

Although most securities available in Market Pace II accounts are maintained at LPL, there are certain securities that may be managed as part of the account that are held at third parties, and not LPL. For example, variable annuity positions available in the program are often held directly with the investment sponsor. For those outside positions, client will receive confirmations and statements directly from the investment sponsor.

For outside positions, LPL and IAG may receive information from the investment sponsor regarding the positions (e.g., number of shares held and market value) and display that information on statements and reports prepared by LPL and IAG. Such information also may be used to calculate performance in performance reports prepared by LPL and IAG. Although LPL and IAG believe that the information they receive from the investment sponsors is reliable, LPL and IAG recommend that you refer to the statements and reports you receive directly from the investment sponsor and compare them with the information provided in any statements or reports from LPL and IAG. The statements and reports you receive from LPL and IAG with respect to outside positions should not replace the statements and reports you receive directly from the investment sponsor.

### Brokerage Practices

In Market Pace II, IAG requires that clients direct LPL as the sole and exclusive broker-dealer to execute transactions in the account. LPL is not paid a commission for executing transactions. Because LPL is a related person of IAG, this presents a conflict of interest. Clients should understand that not all advisors require their clients to direct brokerage. By directing brokerage to LPL, clients may be unable to achieve the most favorable execution of client transactions. Therefore, directed brokerage may cost clients more money.

IARs may aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. IARs may determine not to

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aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities and the discretionary or non-discretionary nature of the trades. If IARs do not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money.

### **ERISA Disclosure**

IAG provides services under the program as an investment advisor under the Investment Advisers Act of 1940. In addition, to the extent IARs of IAG provides advisory services that constitute “investment advice” to plans subject to ERISA, IAG will be deemed a “fiduciary” as such term is defined under Section 3(21) of ERISA.

### **Brochure Supplements**

For more information about the IAR managing the account, client should refer to the Brochure Supplement for the IAR, which should have been provided by the IAR along with this Brochure at the time client opened the account. If client did not receive a Brochure Supplement for an IAG IAR, the client should contact the IAR or IAG at [advbrochure@iag.com](mailto:advbrochure@iag.com).