

**COVER PAGE**

**Optimum Investment Advisors, LLC**

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**February 1, 2020**

This brochure provides information about the qualifications and business practices of Optimum Investment Advisors, LLC ("Optimum"). If you have any questions about the contents of this brochure, please contact us at 312-782-1515 or email us at [info@optimuminvestment.com](mailto:info@optimuminvestment.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 Optimum Investment Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search for our firm by using our CRD number, which is 105182.

Optimum is registered with the SEC. However, this registration, while required by law, does not indicate any established or set level of skill or training on our part.

**MATERIAL CHANGES**

This section only discusses any material changes to our Form ADV Part 2A disclosure document, which we will refer to in this document as the brochure. Since the date of our last update to this brochure, which was March 2019, no material changes to our brochure have occurred.

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## **ADVISORY BUSINESS**

Optimum has been in business since 1990. We provide our clients with investment advisory services consisting primarily of discretionary asset management through use of equity, fixed income and balanced (between equity securities such as stocks and fixed income securities such as municipal and government bonds) portfolios. Our wealth management services include asset allocation, investment management, financial and retirement planning and net worth/cash flow planning. Client accounts may be managed directly by Optimum or through the use of other investment management firms, referred to as “sub advisors”, which we may retain to manage all or a portion of client’s assets on a sub advisory, fully discretionary basis, subject to limitations imposed by the client’s investment objectives and other regulatory limitations.

Non-discretionary investment management services are available on a limited basis although our focus is discretionary investment management. Our services and processes are designed to determine and address our individual client’s general wealth management needs, with a focus on coordination and implementation of the client’s overall investment, retirement and tax and estate plans. This process involves the use of a detailed confidential client questionnaire/new account form designed to collect information as to the client’s investment and financial circumstances and objectives, time horizon expectations and risk tolerance as well as the collection of certain key financial documents. The client may also impose restrictions on our ability to implement particular types of investments on their behalf if that is the client’s preference as part of the process. We then may prepare a written investment or asset allocation policy based upon the client information collected.

Optimum does not provide legal, tax, or accounting advice or services and you should not assume that we are providing you such services at any time. Also, you should understand that, generally speaking, securities or other investments for which we provide advice to you are not deposits or obligations of any bank, are not endorsed or guaranteed by any bank and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency and that neither Optimum nor any of its affiliated companies is a trust or banking institution.

The sole owner of Optimum is Optimum Investment Group, LLC which is majority owned by Terry McCaffrey, who is Chief Executive Officer. The amount of assets managed by Optimum as of December 31, 2019, is \$418,441,463 on a discretionary basis and \$33,749,800 in a non-discretionary basis.

## **FEES AND COMPENSATION**

Optimum is typically compensated for its investment advisory services by charging you a management fee based on the market value of your assets under our management according to the fee schedule set forth below:

\$250,000 - \$3,000,000	1.00% per annum
Next \$2,000,000	.75% per annum
Over \$5,000,000	Negotiable

Fees are billed monthly or quarterly in advance based upon the market value of the assets at the end of the preceding month or quarter although certain types of accounts may be billed in arrears based upon the market value of assets at the end of the month or quarter. If your relationship with us is begun or ended during a calendar month or quarter, your fee will be prorated for the appropriate number of days completed or remaining in the month or quarter and, where applicable, you will be issued a refund for any portion of your monthly or quarterly fee paid in advance which was unearned.

We may negotiate the amount of your fee depending upon circumstances including but not limited to account composition and complexity; other client employee or family relationships; or other conditions which may result in different fees being charged by us for client accounts similar in composition and objectives. Our employees and their family related accounts may be charged a reduced fee, or no fee, for our services.

You may pay your fee to us directly upon receipt of an invoice from us or you may authorize your custodian to allow us to directly debit our fee from your account or accounts. If you choose the later method, your custodian will not confirm our fee but will pay the amount based on the fee amount communicated to the custodian by us and send it directly to us. You will receive a periodic statement from your custodian, which will include the amount of the fee which has been sent to us. You will also receive a copy of the invoice, which shows the fee calculation, in your quarterly report package from Optimum. You should confirm the accuracy of our fee calculation upon receipt of your custodian's statement and Optimum's invoice.

The fees you pay us do not include brokerage commissions or other fees or charges associated with securities transactions implemented with or through a brokerage firm, mark-ups or mark-downs in principal transactions, deferred sales charges, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation, all of which will be charged to you in addition to our fee. We do not receive any portion of any of the foregoing expenses or fees. You should go to the section on Brokerage Practices in our brochure for more information on how we select or recommend brokerage firms for your securities transactions and information related to that process.

You should understand that mutual funds, including exchange traded funds, in which your assets are invested by us or by others, impose separate investment management fees and other operating

expenses, described in the fund's prospectus, for which you, the client, will be charged separately from the fee paid to us for our services.

Unless provided otherwise, we will pay for the services of any sub advisor retained to provide asset management or research services directly out of our fee that we collect from you. Generally, any such sub advisors will receive a fee based upon a percentage of the market value of your assets for which the sub advisor is providing services.

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

This section does not apply to Optimum Investment Advisors, LLC, as we do not engage in this type of fee arrangement.

## **TYPES OF CLIENTS**

Our clients include individual persons, investment companies, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations or similar business and governmental entities. Generally, our minimum account size is \$500,000 for individual investors although this may be waived based on other considerations such as the account's relationship to existing clients and other factors.

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

We use several methods of investment analysis and investment strategies to provide services to our clients. Our methods of investment analysis include fundamental analysis which is the analysis of a company's financial statements, its management, competitive advantages, markets, and other factors; technical analysis which is the analysis of a securities by studying past market data such as price and volume behavior; and valuation analysis which involves the assessment of investments when certain financial ratios are low or high.

As part of our equity and balanced approach, we monitor economic and corporate issues, both domestic and international, for events, changes or trends which might affect the financial markets or particular economic sectors. Within this approach, we review individual stocks based on the fundamental operating conditions of the issuing company with particular emphasis on consistency and momentum of earnings growth, return on equity, conservativeness of debt structure, improvements in cash flow , valuation (e.g., price to earnings ratio) of the stock and the level and growth of dividends.

For our fixed income analysis we review bonds based on the ratings assigned to the particular bond by the bond rating agencies, the structure of the yield curve and spreads among various bond classes, the financial fundamentals of the bond issuer, and other factors.

Our investment strategies include long term purchases (securities generally held for at least a year); short term purchases (securities generally held for less than a year); short term trading (securities generally bought and sold within thirty days); and the use of stock options (securities which provide the investor with an opportunity to purchase another security or property at a specified price over a stated time) and margin transactions (buying securities with borrowed money used to magnify returns; margin refers to the equity in the investment).

To the extent that we increase the frequency of trading of securities in your account, there could be an impact to the overall performance of your investments as a result of greater brokerage and related costs and tax considerations.

The securities we use in our investment strategies and investment advice include equity securities such as exchange listed securities, securities traded over the counter and foreign issues; warrants; debts securities of corporations and similar entities; commercial paper; certificates of deposit; municipal and government securities; investment company securities including variable life insurance, variable annuities and mutual fund shares including exchange traded funds; options on securities; and interests in real estate and oil and gas partnerships. We also offer advice on money market funds and, to a limited basis, advice on alternative investments.

Investing in securities such as the types of securities used by us in managing your assets or providing you investment advice involves the potential risk of loss in the value of the securities both in the amount invested in the securities as well as any profits which have not been realized by selling the securities. You should be prepared to bear the risk of such losses. The degree of risk depends upon the type of security or strategy involved.

#### **DISCIPLINARY HISTORY**

This section does not apply to Optimum Investment Advisors, LLC or any of its employees.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

This section does not apply to Optimum Investment Advisors, LLC or any of its employees.

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

Optimum has adopted a written Code of Ethics under which all our full time employees are generally restricted from effecting transactions in securities for their personal accounts absent pre-approval by our Chief Compliance Officer or designee in order to seek to avoid conflicts of interest with transactions being effected in client accounts. Our employees may buy or sell the same securities that we recommend that our clients invest in or that we purchase or sell on our clients' behalf. This practice presents a conflict of interest between our employees' own financial interest and the best interest of our clients. We have addressed this conflict of interest by imposing trading restrictions under the Code of Ethics, which includes restrictions on our employees' personal trading based upon investment activity occurring in, or being contemplated for, our clients' accounts. There are certain exceptions from the pre-clearance requirements for transactions which we do not believe present a conflict of interest between our employees and our clients such as where our employees receive the same averaged price and incur the same proportional transaction costs as our clients through a block order of equity or fixed income securities.

Pre-approval must also be obtained by employees before investing in initial public offerings of securities and before investing in a private placement of securities. Our employees are required to submit quarterly reports relating to their personal transactions and an annual report of their personal securities holdings to us. Our Code of Ethics also contains policies and procedures, which are intended to prevent the misuse of material non-public information. A copy of our Code of Ethics is available to you upon request by contacting us through the contact information provided on the Cover Page of this brochure.



## **BROKERAGE PRACTICES**

Optimum considers the following factors in selecting or recommending brokerage firms for your transactions and in determining the reasonableness of the compensation or other remuneration paid to the brokerage firms:

Quality of Support Services and Technology

Trade Implementation Costs

Value of Research and Related Information and Products Provided

Market Liquidity Provided

Confidentiality of Trading Intentions

Investment Styles (compatibility between us and the brokerage firm)

Financial Stability

Trade Error Resolution Process

Ability to Execute Difficult Trades

Other Factors Which May Be Identified By Us From Time To Time

Research and Other Soft Dollars Benefits: Where more than one brokerage firm satisfies our criteria, preference may be given to brokerage firms which provide us with certain brokerage and research services and products as allowed by law under Section 28(e) of the Securities Exchange Act of 1934. Under this provision Optimum may use certain brokers to execute client transactions even though the commissions or similar costs for particular transactions may be higher than the commissions or costs incurred by using another brokerage firms which does not provide Optimum with these brokerage and research services or products. Payments to brokerage firms for these services through commission revenue rather than direct cash payments are referred to as “soft dollars”. We have made a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage and research services or products provided by the brokerage firm(s) which we consider to be a significant benefit to our clients. We use these brokerage and research services and products to benefit all of our clients’ accounts, not just those whose transactions paid for the services.

The brokerage and research services or products received by us under the arrangement described above include:

- General investment research consisting of a wide variety of written reports on individual companies and industries, general economic conditions, pertinent legislative developments, changes in accounting practices, and various research database services.
- Direct access by telephones or meetings with research analysts in the financial industry; and access to research meetings involving corporate management personnel, brokerage staff, our staff and industry experts and economists.

Some of the brokerage and research services or products received by us may have other uses such as client presentations, marketing or other administrative uses. If that is the case, we will make a good faith allocation as to the percentage of the service or product used for brokerage and research services and the percentage used for such other purposes. The percentage attributed to such other purposes will be paid for directly by us in “hard dollars” as a cash expense of Optimum. Since “hard dollar” costs are a direct expense of ours, there is a conflict of interest in our determination of the appropriate allocation between soft dollar and “hard dollar” use of the brokerage and research services or products.

Our use of client brokerage commissions or similar costs for transactions to obtain brokerage or research services and products presents a conflict of interest to us because we do not have to produce internally the service or product or purchase it directly elsewhere. This also means that we will have a financial incentive to select or recommend brokerage firms, which provide us such brokerage and research services or products rather than based on a consideration of the lowest commission cost to our clients. To address these conflicts, Optimum has a commission review process in place to review the reasonableness of commission amounts used to obtain brokerage and research services and products described above.

TD AMERITRADE Inc.: We participate in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors such as Optimum services, which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program.

As stated above, Optimum participates in TD Ameritrade’s institutional customer program and we may recommend TD Ameritrade to our clients for custody and brokerage services. There is no direct link between our participation in the Program and the investment advice we give to our clients, although we do receive economic benefits through our participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk designated to serving us; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate

the appropriate shares to client accounts); the ability to have advisory fees deducted directly from our client accounts held at TD Ameritrade; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by us or by our related persons or entities. Some of the products and services made available by TD Ameritrade through the Program may benefit us but may not benefit our clients' accounts directly but may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our employees through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade by us. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us or our related persons or entities in and of itself creates a potential conflict of interest and may indirectly influence Optimum's choice of TD Ameritrade for custody and brokerage services.

Fidelity: Optimum has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides Optimum with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist Optimum in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help Optimum manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Optimum may contract directly.

Optimum Investment Advisors is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Fidelity is providing Optimum with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

Raymond James: Optimum has an arrangement with Raymond James Financial Services, Inc. (collectively, and together with all affiliates, "Raymond James") through which Raymond James provides Optimum with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Raymond James' institutional platform services that assist Optimum in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Raymond James also offers other services intended to help Optimum manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Optimum may contract directly.

Optimum Investment Advisors is independently operated and owned and is not affiliated with Raymond James.

Raymond James generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Raymond James or that settle into Raymond James accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Raymond James provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Raymond James is providing Optimum with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

Brokerage for Client Referrals: We may also consider, in selecting or recommending a brokerage firm for execution of client transactions, whether the brokerage firm refers potential clients to us. This creates a conflict of interest since we may have an incentive to select or recommend that brokerage firm based on our interest in continuing to receive client referrals rather than basing our decision on your interest in receiving more favorable execution of transactions. We address this conflict of interest by reviewing the trade execution quality of such brokerage firms.

Directed Brokerage: We will execute transactions through a particular brokerage firm as a result of your decision to direct us to execute transactions through a particular brokerage firm or as a result of your decision to participate in a "wrap fee" arrangement in which case trades are generally executed through

the brokerage firm with which you have entered into the “wrap fee” arrangement. In this situation, you will be responsible for negotiating the commission rates you pay, not us. You should be aware that our inability to negotiate commissions or obtain volume discounts may mean that best execution may not be achieved for transactions in your account(s). As a result, transactions in accounts directed by you to a particular brokerage firm may result in higher commissions, greater spreads or less favorable net prices than would be the case if we were authorized to choose the brokerage firm through which to execute transactions for your account(s). You should also be aware that disparities in commission charges for similar transactions in accounts among different clients of ours may exist and that there is a conflict of interest arising from such directed brokerage practices.

You should be aware that transactions for accounts which we have been instructed by you, or by the brokerage firm in the event of a wrap fee arrangement, to direct to a specified brokerage firm may be placed subsequent to transactions we enter for client accounts where we determine the brokerage firm through which to execute transactions for clients. This may result in less favorable execution for those accounts which we have been instructed by you to direct to a specified brokerage firm for execution.

You should be aware that you have brokerage options which you should consider other than instructing us to direct to your transactions to a particular brokerage firm including the use by us of other brokerage firms we determine to use for execution of client transactions possibly at a lower commission cost and that this option may be available through us.

**Blocked Transactions:** We may group or block orders from time to time for the same security for more than one client account in order to more effectively execute the orders. This is what is known as a “block transaction”. This process can create trading efficiencies, prompt attention to the order and improved price execution since the block transaction may be executed at various prices but averaged as to price. Therefore, clients whose transactions are part of the block transaction will receive the same average price and trading costs. Personal transactions of our employees may be included in such block transactions. Where such block transactions are not fully executed, we will seek to allocate the executed portion of the block transaction on a basis, which we consider fair to our clients over time. Generally, this will mean a pro rata allocation or allocation on a rotational basis although we may, in certain circumstances, allocate purchases or sales on some other basis, after consideration of factors such as taxability of the account, cash available for investment, asset mix of the account, objectives and restrictions of the account, company and industry concentrations, broker designations specified by the client, size of the execution versus the total order size, and partial positions versus full positions. Any employee transactions will be excluded from block transactions, which are not fully executed.

**Cross Transactions:** Generally, we do not buy or sell securities from one client account managed by us to another client account managed by us, referred to as a “cross transaction” although we may, from time to time, make an exception but will do so only when we have a reasonable belief that best execution can be achieved for all clients involved in the transaction and subject to all requirements for these transactions. We receive no transaction-based fees or commissions from these transactions.

Trade Errors: Errors in executing client transactions may occur from time to time which we will seek to correct on a timely basis so that you will not incur a loss or other costs as a result of any such errors. Any loss or costs incurred as a result of the correction of such errors will be borne by us or by your broker/custodian while any market gains that result from the correction of such errors will usually be retained by your broker/custodian or by you.

## **REVIEW OF ACCOUNTS**

Our clients' accounts are reviewed on a periodic basis by the individual portfolio manager with primary responsibility for the particular account. In addition, we maintain certain model portfolios for use in managing our clients' accounts. These model portfolios are reviewed and revised as appropriate by the Investment Committee. Factors which may trigger more frequent reviews include change in client investment objectives or circumstances such as retirement or a large contribution or withdrawal to or from an account, significant developments or events specific to a particular security held in the account, or significant market, economic or political developments.

We will provide you written reports concerning your account(s) with us on at least a quarterly basis. These quarterly reports will include details of the cost basis for each security as well as market value and income yield, separated by asset classes and possibly grouped with other accounts related to you. This report will also include an invoice for our quarterly fee. On an annual basis you will also receive a report from us, which will track all activity including income earned, contributions, withdrawals and capital gains. If you are involved in a wrap fee arrangement as described in the section on Advisory Business, you may receive reports including those assets of yours for which we are providing services directly from the brokerage firm which created the wrap fee arrangement. You should also receive written reports directly from your custodian concerning your account(s) that generally contain information relating to all transactions and other account activity.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

We may from time to time enter into written agreements with other persons or companies who refer potential clients to us in exchange for a referral or solicitor fee which typically is a percentage of the fee we receive from the referred client for our services. This means that the persons or companies who refer potential clients to us as described will have a financial interest in your selecting us to provide you services. If you are referred to us through an arrangement like this, you will receive a written document which will disclose that we have an arrangement with the solicitor, any affiliation between us and the solicitor, and a description of the compensation the solicitor will receive from us if you establish an account with us. The fee we charge you for our services will not be increased as a result of our use of these referral arrangements.

Charles Schwab & Co., Inc.: We have received client referrals from Charles Schwab & Co., Inc. ("Schwab") through our participation in Schwab Advisor Network® (the "Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a brokerage firm independent from Optimum and unaffiliated with us. Schwab does not supervise us and has no responsibility for our management of your assets or our other advice or services. We pay Schwab fees to receive client referrals through the Service. Our participation in the Service may raise conflicts of interest as described below.

We pay Schwab a Participation Fee on all referred client accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all client accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Optimum is a percentage of the fees the client pays us or a percentage for the value of the assets in your account, subject to a minimum Participation Fee. We pay Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is charged to us quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by us and not by you. We have agreed not to charge clients referred through the Service fees or costs greater than the fees or costs we charge clients with similar accounts with us who were not referred to us through the Service.

We generally pay Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in your account are transferred from, Schwab. This Fee does not apply if the client was solely responsible for the decision to not maintain custody at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees we generally pay in a single year. Thus, we will have an incentive to recommend that your accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in our clients' accounts who were referred by Schwab and those referred clients' family members living in the same household. Thus, we will have an incentive to encourage household members of our clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit our fees directly from your account.

Clients of ours who maintain custody of their accounts at Schwab will not be charged separately for custody but Schwab will receive compensation from our clients in the form of commissions or through transaction related compensation on securities transactions executed through Schwab. Schwab also will receive a fee (generally lower than the commissions on transactions it executes) for clearance and settlement of transactions executed through brokerage firms other than Schwab. Schwab's fees for transaction executed at other brokerage firms are in addition to the other brokerage firm's fee. Thus, we will have an incentive to cause transactions to be executed through Schwab rather than through another brokerage firm although we understand we have a duty to seek best execution of our clients' transactions. Transactions for client account maintained in custody at Schwab may be executed through a different brokerage firm than trades for our other clients so transactions in accounts maintained in custody at Schwab may be executed at different times and different prices than transactions in client accounts that are executed at other brokerage firms.

TD Ameritrade, Inc.: Optimum may also receive client referrals from TD Ameritrade, Inc. ("TD Ameritrade") through our participation in TD Ameritrade's AdvisorDirect referral program. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts of ours maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Optimum and there is no employee or agency relationship between them and us. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management



services or financial planning services to independent investment advisors such as Optimum. TD Ameritrade does not supervise us and has no responsibility for our management of client portfolios or our other advice or services. Optimum pays TD Ameritrade an on-going fee for each successful client referral. For referrals that occurred through Advisor Direct before April 10, 2017, this fee is a percentage (not to exceed 25%) of the advisory fee that the client pays to Optimum ("Solicitation Fee"). For referrals that occurred through AdvisorDirect on or after June 9, 2017, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a Special Services Addendum. In the case of a Special Services Addendum, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 10% of 1%. Optimum will also pay TD Ameritrade the Solicitation Fee on any assets received by Optimum from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Optimum on the recommendation of such referred client. Optimum will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade Advisor Direct Disclosure and Acknowledgement Form.

Optimum's participation in AdvisorDirect raises potential conflicts of interest since TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Optimum may have an incentive to recommend to clients that their assets under management by us be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, we have agreed not to solicit clients referred to us through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require otherwise doing so. Optimum's participation in AdvisorDirect does not diminish our duty to seek best execution of trades for our clients' accounts.

We may also compensate our employees, including our portfolio managers, who refer potential clients to us for our services. Thus, the employee will have a financial interest in the selection of Optimum by the client for investment management services.

Please refer to the section on Brokerage Practices in our brochure for information on other economic benefits we may receive for providing services to you.

## **CUSTODY**

In addition to any account statements you may receive from us, you will receive account statements directly from your custodian on at least a quarterly basis although you may receive them on a monthly basis. You should carefully review these statements and compare these statements to statements you

receive from us for any discrepancies. You should also remember that the statements you receive from your custodian are your official record of your accounts and assets for tax purposes.

## **INVESTMENT DISCRETION**

We will accept discretionary investment authority over your assets if you agree to such an arrangement. This is typically accomplished through execution of a limited trading authority contained in your client agreement with us or through similar authority contained in a wrap fee arrangement you may execute with the brokerage firm which established the wrap fee arrangement. When executing your client agreement with us, you can further limit the extent of discretionary investment authority to be granted to us although this may impact the level of services we can provide you. You may also place restrictions on our authority such as instructions not to make investments in certain industries or to not sell certain investments you may have due to possible adverse tax consequences to you.

## **VOTING CLIENT SECURITIES**

You should understand that we will not vote proxies or render any advice on proxies solicited by or with respect to certain investments in your account except as otherwise required by, or by us with, the particular account in which case our general voting policy is to vote with the management recommendations of the particular company as well as other pre-determined voting guidelines. Required records will be maintained. We will not forward you any proxy or litigation materials we receive, electronically or otherwise inadvertently, and you should contact your custodian directly and instruct them to make arrangements for your proxy or litigation materials to be forwarded directly to you. A copy of our Proxy Voting Policy is available upon request.

Optimum will not itself take any action or render any advice on investments in your accounts which become subject to class actions or related litigation or other matters such as mergers, acquisitions, tender offers, bankruptcy proceedings or other similar events but we do subscribe to a claims filing service which specializes in securities class action settlements on behalf of our clients.

## **FINANCIAL INFORMATION**

This section does not apply to Optimum Investment Advisors, LLC as we have never filed for bankruptcy nor are we subject to any financial conditions that could impair our ability to meet our obligations to you.