

**ThomasPartners, Inc.**  
**Part 2A of Form ADV**

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This Brochure provides information about the qualification and business practices of ThomasPartners, Inc. If you have any questions about its contents, please contact us. 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 ThomasPartners, Inc. is also available from the SEC on the internet at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

ThomasPartners, Inc. is a Registered Investment Advisor, registered with the United States Securities and Exchange Commission under the Investment Advisers Act of 1940. This designation does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

There are two material changes to this Brochure/Form ADV, Part 2, since our last annual update dated March 19, 2012.

ThomasPartners, Inc. now pays a solicitation fee to Strategic Advisers, Inc. for its participation in the Fidelity Wealth Advisor Solutions Program (the “WAS Program”), through which TPI receives referrals. Specific details of this program are shown on pages 19 and 20.

Additionally, ThomasPartners has terminated our affiliation with Verity & Verity, LLC and Gregory Thomas has resigned as Verity & Verity, LLC’s Chief Investment Officer and minority Member. Also, William Verity has resigned as an officer of TPI and no longer represents TPI in South Carolina and vicinity. This change is reflected in item 10, page 10.

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## **Item 4 - Advisory Business**

### **Description of Firm**

ThomasPartners, Inc. (“TPI,” “us,” “our,” or “we”) is a Registered Investment Advisor with the United States Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940, and “provides investment supervisory services”, primarily by managing investment accounts of its clients.

TPI may offer limited financial planning services when requested by clients.

TPI has been in business since 2001. Gregory Thomas, ThomasPartners, Inc.’s CEO and Chairman of the Board, and is the principal owner of the firm.

### **Types of Advisory Services Offered**

ThomasPartners, Inc. believes that a continuous and growing portfolio dividend income stream will enhance your total investment returns and reduce your portfolio risk, over time.

If you need regular withdrawals of cash to meet your annual income needs, growing dividends may be a better source than dipping into principal, particularly in down market environments. If you seek to maximize the total value of your portfolio, dividends can be reinvested annually; a process that will compound portfolio growth over time.

For your portfolio, as with all clients, TPI examines your recurring income needs, if any, and your risk appetite and profile to create a portfolio that attempts to:

- Generate above-market dividend yields;
- Increase dividend income every year; and
- Deliver competitive total returns, over time.

ThomasPartners, Inc. generally selects dividend-paying stocks that have shown consistent annual dividend increases in past years. We prefer stocks that have increased dividends each year for at least the last ten consecutive years. Some of the available stocks have 20, 30, and even 50-year dividend growth records.

We also prefer stocks of companies that are domiciled in developed countries, like the U.S., but generate significant levels of their revenues from faster-growing emerging market economies. These selected companies must have demonstrated consistent free cash flow generation and reliable growth potential, as well. Every stock selected is purchased at market prices below their intrinsic values, as measured by our proprietary free cash flow yield models. Stocks may be sold when they reach the full-value price, again as measured by those same models.

All client portfolios are highly diversified as to industry sector, global revenue generation, and, if appropriate to meet your specific needs and risk profile, fixed income securities may be part of your investment allocation. Fixed income securities may include; Treasuries, Agencies, and Corporate and/or Municipal bonds. Bonds purchased will be investment grade as rated by at least one of the nationally-recognized rating agencies (S&P, Moody's, Fitch).

Clients who wish to impose restrictions on certain securities, types of securities, or industries, etc., may do so in writing. Once agreed upon, it is the client's responsibility to inform TPI in writing if something changes and the restriction(s) is (are) no longer valid.

In addition to the services offered above, TPI may offer financial planning on a limited basis, which generally, but not exclusively, pertains to retirement planning. No additional fees are charged to advisory clients for these services. Occasionally, TPI may provide financial planning services to individuals or organizations whose assets we do not manage. In these cases, TPI will charge either a retainer or a flat fee, depending on the type of financial services provided.

### **Asset-Based Fee Programs**

Some of TPI's clients participate in asset-based fee programs. These programs are sponsored by broker-dealers not affiliated with ThomasPartners, Inc. These services they offer are to "bundle" or "wrap" a variety of financial services into a package, for which the client pays a fee to the broker-dealer/sponsor based on a percentage of the assets they manage for the client. Accounts under this type of arrangement are managed in the same style as accounts under a traditional fee only arrangement except under certain programs where accounts are model based. The major difference for model based accounts is in trading, in that all accounts under the same model are traded together, rather than separately (or in blocks as described in this document under Brokerage Practices, pages 12-13).

Clients who participate in such Programs may enter into a separate investment management agreement with TPI. In those cases, TPI acts as sub-advisor to the broker-dealer or sponsor.

Clients who participate in an asset-based fee program should consider whether the program's fees may exceed the aggregate cost of such services if they were to be provided separately. Clients should take into account the level of the fee charged by the sponsor, the amount of portfolio activity in the account, and the value of the custodial and other services, which are provided under the Program.

The asset-based broker-dealer pays TPI's management fee.

### **Assets Under Management**

As of August 31, 2012, ThomasPartners, Inc. managed \$2,093,243,000 on a discretionary basis and \$119,657,000 on a non-discretionary basis.

NOTE: Accounts managed on a "discretionary" basis are accounts where client account-holders have given ThomasPartners, Inc. the authority to make and execute buy and sell decisions, without consulting them. Conversely, accounts managed on a "non-discretionary" basis are those where the client must grant approval prior to executing buy and sell decisions.

## **Item 5 - Fees and Compensation**

### **Management Fee Structure**

ThomasPartners, Inc. provides investment advisory services to you for a percentage of the assets we manage for you.

For new accounts managed exclusively by TPI, the fees charged as a percent of the assets we manage are:

- 1.00% per year on amounts up to \$2 million, plus
- 0.75% per year on amounts between \$2 million and \$5 million, plus
- 0.60% per year on amounts in excess of \$5 million, or
- \$625 per quarter minimum, whichever is greater.

Existing clients may be paying more or less than new clients, based on fees in effect when they became clients. When TPI acts as sub-advisor to another advisor, our fees can be substantially less.

When requested by certain solicitors or under other limited circumstances, TPI's annual management fee may be increased by as much as 0.25%. Clients referred in such cases will be informed about the increased fee prior to signing any agreement.

In addition to the standard fees as described above, TPI may charge a retainer or flat fee for financial planning clients whose assets we do not manage. We also may charge a flat fee plus percentage of new assets for certain non discretionary relationships which we advise.

Depending on circumstances, our fees may be negotiable.

### **Payment of Management Fees and Refunds**

TPI Management fees are charge in advance, at the beginning of each quarter, based on the client account balance at the end of the preceding quarter. We normally deduct our management fees directly from client accounts but will honor requests from clients if they wish to be directly billed.

If you make a large deposit to your account during a quarter, your fees may be pro-rated for the addition to your account.

If you make a large withdrawal during a quarter, you will receive a management fee refund pro-rated from the day of withdrawal, provided the refund is \$100 or more.

If you terminate our agreement, you will receive a refund in the amount of any pre-paid, but unearned, management fee pro-rated from the date of termination.

### **Transaction Fees**

As a client, you will pay a broker-dealer transaction fee or commission for buying or selling individual securities. These commissions as well as markups or markdowns will be paid directly

from your account to the broker-dealer who completes the purchase or sale. Please refer Item 12, on page 10, which discusses our “Brokerage Practices”.

Purchase and sale of exchange-traded-funds (ETFs) and certain mutual funds may also involve a transaction fee. In addition, mutual funds charge management fees, fund expenses, and possibly a distribution fee which are deducted from the net asset value of the fund. Such expenses and fees are described in their prospectuses.

### **Commissions and Other Compensation**

ThomasPartners, Inc. and its employees do not receive any portion of the transaction fees or commissions you pay on securities trades. In addition, TPI does not receive any compensation from any mutual funds or their management companies. Our revenue only comes from the fees our clients pay us for managing their accounts.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

ThomasPartners, Inc. does not charge Performance-Based-Fees.

## **Item 7 - Types of Clients**

ThomasPartners, Inc. provides investment advice and investment management services primarily to:

- individuals,
- pension/profit sharing plans,
- trusts,
- corporations
- estates, and
- charitable organizations.

The minimum portfolio size we will normally accept for management is \$250,000. TPI may accept accounts below our standard minimum under certain circumstances.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

ThomasPartners, Inc. performs most of its research in house, but we occasionally use some outside sources of information, such as research provided by broker-dealers or independent research firms.

We use a method called “quantitative screening” to identify companies with histories of uninterrupted dividend growth. We screen both foreign and domestic companies that have market capitalizations greater than \$500 million.

NOTE: Market capitalization is a measurement of the size of a publicly traded company equal to its share price multiplied by the number of its shares outstanding (shares that have been authorized, issued, and purchased by market participants).

We also run additional screens to help us ascertain a company’s current dividend yield and past dividend growth, and to estimate dividend growth potential.

Once we identify promising portfolio candidates we conduct, rigorous fundamental analysis on each company, paying attention to:

- free cash flow;
- normalized earnings power;
- balance sheet strength;
- and returns on invested capital.

ThomasPartners, Inc. then uses its proprietary discounted cash flow model to develop price targets for the stock.

When appropriate, ThomasPartners portfolios also contain a reasonable allocation to fixed income securities. Our bond allocations are customized for each client’s needs.

### **Investment Strategy and Risk of Loss**

While committed to equities in general, and to dividend-growing equities in particular, we use traditional forms of market “risk diversification” to allocate your assets. We work to achieve diversification so that your assets include:

- small and large companies,
- value and growth styles,
- domestic and foreign stocks, and
- a variety of industry sectors.

Investing in securities involves the risk of loss which clients should be prepared to bear.

Common inherent risks include but are not limited to:



- **Business Risk-** The risk that a company's value may erode due to competition, mismanagement, or price-earnings multiple compression;
- **Market / Investment Risk–** The risk that a falling market or poor economy will drag down the value of all stocks; or that individual stocks held in your portfolio will suffer declines;
- **Political Risk –** The risk that political events such as war, terrorism, or a change in government policy may cause the value of stocks to erode.

In addition to risks common to investing in stocks, there are also inherent risks to investing in TPI's dividend growth strategy including but not limited to:

**Sentiment Risk –** Investor sentiment could cause dividend paying equities to become out of favor;

**Analytical Risk:** The risk that deteriorating fundamentals of a given business cause our analysis to be incorrect;

**Risk of Dividend Cuts –** The risk that companies may cut their dividends causing investors to sell the stock and the price to fall.

Investing in Fixed Income securities also involves risk. Common risks include but are not limited to:

**Interest Rate Risk-** An increase in interest rates will have a negative effect on the value of an investment;

**Inflation Risk –** The uncertainty over the future real value (after inflation) of an investment;

**Liquidity Risk –** The risk that a security cannot be bought or sold quickly enough to prevent a loss;

**Credit Risk –** The risk that a company will not be able to make interest or principal payments.

On an ongoing basis, our portfolios exhibit very low turnover resulting in lower cumulative trade commissions. In addition, we are mindful that trading in a taxable portfolio will generate taxable events for you, and we work with you and every client to minimize adverse effects.

## **Item 9 - Disciplinary Information**

No legal or disciplinary events have occurred that would be material to a client's, or prospective client's, evaluation of TPI's advisory business or the integrity of our management.

## Item 10 - Other Financial Industry Activities and Affiliations

Neither ThomasPartners, Inc. nor any of its directors, officers or employees are registered or have applied to register as a broker-dealer or a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of such firms.

TPI may recommend other investment advisors to our clients. This is done on a limited basis when a client is looking to invest a portion of their portfolio in an investment strategy outside our area of expertise. Even though we may be compensated for these recommendations, we don't believe this creates conflict of interest because of the limited nature of this practice, and the recommendation is outside of our areas of expertise and often comes at the request of the client.

## Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

TPI's *Code of Ethics* is based on the principle that we owe you a relationship of confidence and trust regarding the management of your assets. Thus, all of our employees must avoid activities, interests and relationships that go against (or appear to go against) your best interests as our client.

At all times, we will:

- **Place client interests ahead of TPI's** –Employees may not benefit at the expense of our clients. This concept is particularly important when Employees are personally trading securities also being traded for our clients.
- **Engage in personal investing that is in full compliance with TPI's Code of Ethics** – Employees must review and abide by TPI's Personal Securities Transaction and Insider Trading Policies.
- **Avoid taking advantage of our position** – Employees must not accept investment opportunities, gifts or other gratuities from individuals seeking to conduct business with ThomasPartners Inc., or on behalf of an advisory client, unless in compliance with our Gift Policy.
- **Maintain full compliance with the Federal Securities Laws** – Employees must abide by the standards set forth in Rule 204A-1 under the Advisers Act and comply with federal securities laws.

ThomasPartners, Inc., its directors, officers and employees do not recommend the purchase or sale of securities in which we have a significant financial interest.

We typically recommend and buy and sell securities of large-capitalization corporations where our clients' ownership would represent an immaterial portion of the shares outstanding. Our

employees may invest in these securities or related securities (such as options). To avoid conflicts in these instances, our employees must:

- obtain approval prior to entering into a transaction (with certain exceptions, such as government obligations and open-end mutual funds), and
- provide ThomasPartners, Inc. with copies of their account statements that identify their securities transactions and holdings.

If an employee of ThomasPartners, Inc. requests permission to trade in a security at or about the same time ThomasPartners intends to trade in that security for some or all of its clients, we will withhold approval until after the trades are executed for clients. Once approval has been granted, the employee must execute approved trades before the close of business on the date of approval.

We strictly monitor and review all employee transactions to make sure they comply with our Personal Security Transaction Policy.

You or any prospective client will be provided a copy of TPI's *Code of Ethics*, upon request.

## **Item 12 - Brokerage Practices**

### **Soft Dollar Benefits:**

A common practice for broker-dealer-custodians of financial assets is to provide their institutional clients, like ThomasPartners, Inc., research materials. Since ThomasPartners, Inc. does not have to pay directly for these services, they are considered "soft dollar benefits". You and our other clients may benefit from these services no matter where your assets are held or where your trades are placed.

We currently receive soft dollars (for example, an allowance to purchase additional research), from only one custodian-broker with which we do business: Charles Schwab & Co., Inc. (Schwab). The dollar size of this allowance depends in part on the amount of business our clients transact with Schwab during any year. We therefore have an additional incentive to refer clients to Schwab, which may represent a conflict of interest.

We apply the benefits of such research to all client accounts, regardless of where such accounts are held in custody. You, as a client, do not pay higher transaction fees or custodial fees, if any, as a result of TPI's relationship with your custodian-broker. The products and services that we purchase with soft dollars help us in researching and analyzing investments, and are within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended.

ThomasPartners, Inc. does not direct client transactions to Schwab in order to increase available soft dollars.

### **Brokerage for Client Referrals:**

Some clients are referred to ThomasPartners, Inc. by broker-dealer-custodians, such as Schwab, TD Ameritrade, and Fidelity Investments.

Directing client transactions to a particular firm in return for client referrals is against the trading policies of ThomasPartners, Inc.

### **Directed Brokerage:**

While you may select a broker for your transactions, ThomasPartners, Inc. prefers that clients use a broker-dealer-custodian with which we have an established relationship. Therefore, we suggest brokers to clients.

If you give ThomasPartners, Inc. permission to choose a broker when placing trades, there is no restriction on which brokers we may select to execute your transactions. However, when placing equity trades, ThomasPartners, Inc. will select the broker that is custodian of your assets. We may place fixed-income trades with another broker, in order to obtain best execution. Because we trade relatively infrequently, commissions are rarely a factor in our choice of a broker, and the fees of the major brokers we use are competitive.

You can be confident that ThomasPartners, Inc. always attempts to achieve the best execution and price for you. The best net price is an important factor in brokerage decisions. However, other objective and subjective factors may also enter into this decision, such as:

- commission rates,
- other transaction costs;
- the nature of the security being traded;
- size of the transaction;
- desired timing of the trade;
- activity existing and expected in the market for the particular security;
- confidentiality;
- execution, clearance, and settlement capabilities and costs;
- other information available at the time of execution.

We take all factors into consideration, and as a result you may pay a brokerage commission, markup or markdown that is higher than the lowest commission that might otherwise be available for any given trade.

### **Bundled (Aggregated or Block) Trades**

ThomasPartners, Inc. generally trades securities on an individual basis, but also, when advantageous to clients, aggregates trades as part of a block. In our daily management of accounts, we often have similar trades that can be aggregated. When orders come into our trading system around the same time that match in security, custodian, and direction, either buy or sell, we may choose to aggregate them as part of a block.

In addition to our daily management of individual accounts, our Investment Committee or Chief Investment Officer may decide to buy or sell a specific security for a large group of clients. In these cases, we aggregate (bundle) the orders in the form of a block trade. Since we have client accounts at several broker-dealer custodians, we will only aggregate orders by broker-dealer custodian.

TPI utilizes trade order management software to facilitate this process, which helps with best execution and provides clients with an average price.

The bond market, in contrast, is an over-the-counter market, so in most instances using block trades when practical provides you best price and execution. The reason for this is there is less liquidity for odd-lot bond trades (those less than \$1 million) in the over-the-counter market than there is for stocks in an exchange-traded market. Therefore, when we want to buy or sell a certain fixed-income security for multiple accounts, we always consider performing the buy or sell transaction as a single block trade.

We will not bundle buy or sell transactions for your accounts in some instances, such as:

- when the proposed trade is not in the best interests of your account;
- if you have asked ThomasPartners, Inc. to use certain broker/dealers, then such orders will be traded separately;
- when our traders and/or portfolio managers determine that a block trade is not appropriate because of market conditions; and
- Portfolio Managers must effect the transactions at different prices, making aggregation unfeasible.

## **Item 13 - Review of Accounts**

ThomasPartners, Inc. review accounts at least monthly for equities under direct management and more frequently if there are drastic changes in the securities markets. Our account reviews will include an analysis of your:

- asset allocation,
- securities
- mutual funds (if any), and
- account performance;

Your portfolio will also be reviewed with you at least on an annual basis and adjustments will be made if necessary.

Your account is reviewed by at least one of portfolio managers:

Gregory Thomas, CEO, has oversight over these reviews.

We will send you quarterly written reports. These reports summarize the content, asset mix, and performance of your portfolio. Furthermore, early in the calendar year, we will send you a Tax Summary that provides important information to help you in filing your income tax returns.

In addition, you will receive monthly statements on each of your accounts from your custodians: Charles Schwab, TD Ameritrade, Fidelity Investments, or others.

## **Item 14 - Client Referrals and Other Compensation**

## **Economic Benefits from Broker-Dealer-Custodians**

ThomasPartners, Inc. receives some economic benefit from some of the broker-dealer-custodians with which we deal. The brokerage services provided to investment advisors, like ThomasPartners, Inc., include the execution of securities transactions, custody, research and access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly large initial investment. These relationships are namely:

### **Charles Schwab & Co., Inc.:**

ThomasPartners, Inc. may recommend that you, as a client, establish a brokerage account with the Schwab Institutional division of Charles Schwab & Co., Inc. (a FINRA registered broker-dealer, member of SIPC), to maintain custody of your assets and to trade securities for your account. Although we may recommend that you establish an account at Schwab, it is your decision whether or not to do so.

ThomasPartners, Inc. is independently owned and operated and not affiliated with Schwab.

Schwab provides ThomasPartners, Inc. with access to its institutional trading and custody services, typically not available to Schwab individual investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge, if a total of at least \$10 million of an advisor's clients' assets are maintained in accounts at Schwab Institutional. An investment advisor does not have to give Schwab any specific amount of business (assets in custody or trading commissions).

Schwab Institutional also makes other products and services available to ThomasPartners, Inc. that benefit ThomasPartners, Inc., but may not directly benefit its clients' accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering client accounts include software and other technology that;

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate bundled trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of TPI's fees from its clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help ThomasPartners, Inc. manage and further develop its business. These services may include:

- compliance, legal and business consulting;
- publications, and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay for these services rendered to ThomasPartners, Inc. Schwab may discount, or waive fees it would otherwise charge for some of these services; it may pay all or part of the fees for a third-party providing these services to us. Schwab may also provide other benefits such as educational events or occasional entertainment for our personnel.

ThomasPartners, Inc. may take into account the availability of some of the products and services mentioned above when it evaluates whether to recommend its clients use Schwab to custody their assets. TPI's decision to recommend Schwab may not be made solely on the nature, cost or quality of the services Schwab provides. This may create a potential conflict of interest.

### **TD Ameritrade:**

ThomasPartners, Inc. participates 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/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. ThomasPartners, Inc. receives some benefits from TD Ameritrade through its participation in the Program

Thus, we may recommend that you, as a client, open an account with TD Ameritrade for custody of your assets and for brokerage services. There is no direct link between our participation in TD Ameritrade's program and the investment advice we give to you. However, ThomasPartners, Inc. receives economic benefits through its participation in the program that are typically not available to TD Ameritrade's individual 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 serving our clients;
- access to block trading (which provides the ability to bundle securities transactions for execution and then allocate the appropriate shares to our client accounts);
- the ability to have advisory fees deducted directly from our client accounts;
- 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 ThomasPartners, Inc. by third party vendors.

TD Ameritrade sometimes pays for business consulting and professional services used by our employees. Some of the products and services made available by TD Ameritrade through the program benefit our clients; some services may benefit us but not our clients. These products or services 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.

The benefits received by us or our employees by participating in the program do not depend on the amount of brokerage transactions we direct to TD Ameritrade. As part of its fiduciary duties to our clients, ThomasPartners, Inc. strives at all times to put the interests of its clients first. You should be aware, however, that receiving these benefits does create a conflict of interest and may indirectly influence our choice of TD Ameritrade for your custody and brokerage services.

### **National Financial Services LLC, and Fidelity Brokerage Services LLC:**

ThomasPartners, Inc. has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides ThomasPartners, Inc. with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like ThomasPartners, Inc. in conducting business and in serving the best interests of their clients.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds and commissions are charged for individual equity and debt securities transactions). Fidelity enables ThomasPartners, Inc. to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to ThomasPartners, Inc., at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by ThomasPartners, Inc. (within specified parameters). These research and brokerage services at present include:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate bundled trade orders for multiple client accounts);
- provide research, pricing and other market data;
- facilitate payment of TPI's fees from its clients' accounts;
- assist with back-office functions, recordkeeping and client reporting;
- compliance, legal and business consulting; and
- publications, and conferences on practice management and business succession.

As a result of receiving such services for no additional cost, ThomasPartners, Inc. may have an incentive to continue to use or expand the use of Fidelity's services. ThomasPartners, Inc. examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has



determined that the relationship is in the best interests of TPI's clients and satisfies its client obligations, including its duty to seek best execution. ThomasPartners, Inc. and Fidelity are not affiliates, nor is there any broker-dealer affiliation between ThomasPartners, Inc. and Fidelity.

### **Client Referrals from Solicitors**

ThomasPartners, Inc. may contract with independent solicitors to obtain new clients. These independent solicitors are paid a fee for each referral that becomes a client. The solicitor discloses the name of the solicitor and the nature of their compensation to all new referred clients prior to entering into an investment management agreement with ThomasPartners, Inc. Client fees are generally not higher than our standard fees because of payments to a solicitor.

### **Charles Schwab & Co., Inc.:**

ThomasPartners, Inc. receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through its participation in Schwab Advisor Network<sup>®</sup> ("the Service"). The Service helps investors find an independent investment advisor.

Schwab is a broker-dealer independent of and not affiliated with ThomasPartners, Inc. Schwab does not supervise ThomasPartners, Inc. and is not responsible for our management of our client portfolios or our other advice or services.

ThomasPartners, Inc. pays Schwab fees to receive client referrals through the Service. Our participation in the Service may raise potential conflicts of interest described below.

Our agreements with Schwab regarding the Service are as follows:

#### **Accounts Maintained at Schwab**

ThomasPartners, Inc. pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab. The Participation Fee is paid by ThomasPartners, Inc. It is either a percentage of the fees the client pays to ThomasPartners, Inc., or a percentage of the value of the assets in the client's account. There is a minimum Participation Fee.

ThomasPartners, Inc. pays Schwab the Participation Fee as long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to ThomasPartners, Inc. quarterly and Schwab may increase, decrease or waive it from time to time. The Participation Fee is paid by ThomasPartners, Inc. and not by the client. ThomasPartners, Inc. does not charge clients referred through the Service fees or costs higher than the fees or costs charged to clients with similar portfolios who were not referred through the Service.

For our clients whose accounts are maintained at Schwab, Schwab will not charge the clients separately for custody. However, Schwab receives compensation from our clients in the form of commissions or other transaction-related compensation on securities trades made through Schwab. Schwab also receives a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades made at other broker-dealers

are in addition to the other broker-dealers' fees. Thus, we may have an incentive to cause trades to be made through Schwab rather than another broker-dealer.

ThomasPartners, Inc. acknowledges its duty to seek best execution of trades for our client accounts. Thus, trades for accounts held at Schwab may be made at different times and different prices than trades for other accounts made at other broker-dealers.

### **Accounts Not Maintained at Schwab**

ThomasPartners, Inc. generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained at, or assets in the account are transferred from, Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, ThomasPartners, Inc. has an incentive to recommend that client accounts be held in custody at Schwab.

The fees for both of the above categories are based on assets in accounts of TPI's clients who were referred by Schwab and of their family members living in the same household. Thus, ThomasPartners, Inc. has incentives to encourage household members of clients referred through the Service to maintain custody of their accounts, execute transactions at Schwab.

### **TD Ameritrade:**

ThomasPartners, Inc. receives client referrals from TD Ameritrade through TD Ameritrade AdvisorDirect (the "referral program"). We were invited to join the program by exceeding TD Ameritrade's minimum requirements. We also may have been selected to participate based on the amount of assets and profitability of trades in client accounts maintained at TD Ameritrade. TD Ameritrade established the referral program as a means of referring its brokerage customers and other investors to independent investment advisors.

TD Ameritrade is a discount broker-dealer independent of and not affiliated with ThomasPartners, Inc. There is no employee or agency relationship between TD Ameritrade and ThomasPartners, Inc. TD Ameritrade does not supervise us and has no responsibility for our management of client portfolios or TPI's other advice or services.

We pay TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to us ("Solicitation Fee"). We also pay TD Ameritrade the Solicitation Fee on any advisory fees we receive from any of a referred client's family members. This includes a spouse, child or any other immediate family member living with the referred client and recommended to ThomasPartners, Inc. by the referred client.

ThomasPartners, Inc. pays the fees mentioned above. We do 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 AdvisorDirect Disclosure and Acknowledgement Form.

TPI's participation in AdvisorDirect raises potential conflicts of interest. 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. Thus, in order to obtain client referrals from TD Ameritrade, we may have an incentive to recommend to clients that the assets under management by ThomasPartners, Inc. 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 doing so. TPI's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

**National Financial Services LLC, Fidelity Brokerage Services LLC, FMR LLC, and Strategic Advisers, Inc:**

***Participation in Fidelity Wealth Advisor Solutions®.*** ThomasPartners, Inc participates in the Fidelity Wealth Advisor Solutions Program (the "WAS Program"), through which TPI receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment advisor and subsidiary of FMR LLC, the parent company of Fidelity Investments. TPI is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control TPI, and SAI has no responsibility or oversight of TPI's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for TPI, and TPI pays referral fees to SAI for each referral received based on TPI's assets under management attributable to each client referred by SAI or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to TPI does not constitute a recommendation or endorsement by SAI of TPI's particular investment management services or strategies. More specifically, TPI pays the following amounts to SAI for referrals: For a period of 7 years from the date that an account or accounts is funded with TPI, TPI shall pay SAI an amount equal to an annual percentage of 0.20% of any and all assets in such accounts. In addition, TPI has agreed to pay SAI a minimum annual fee of \$10,000 in connection with its participation in the WAS Program. These referral fees are paid by TPI and not the client.

To receive referrals from the WAS Program, TPI must meet certain minimum participation criteria, but TPI may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, TPI may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and TPI may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to TPI as part of the WAS Program. Under an agreement with SAI, TPI has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV Part 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, TPI has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other

custodians for referred clients other than when TPI's fiduciary duties would so require; therefore, TPI may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit TPI's duty to select brokers on the basis of best execution.

### **NFP Securities, Inc.:**

ThomasPartners, Inc. receives client referrals from NFP Securities, Inc. ("NFPSI") through its independent investment advisers: Sapers & Wallack Insurance Agency, Inc. ("SWIA"), and Peter Phillips associated with Stage 2 Planning Partners ("S2PP"). SWIA is an insurance agency and S2PP is a financial planner. Both firms and their associates are independent of and not affiliated with ThomasPartners, Inc. Neither supervises ThomasPartners, Inc. nor has any responsibility for our management of clients' portfolios or our other advice or services.

ThomasPartners, Inc. pays NFPSI fees to receive client referrals that are a percentage of the fees client owes to ThomasPartners, Inc. ThomasPartners, Inc. pays NFPSI such fees for as long as the referred clients pay ThomasPartners, Inc. Referred clients will pay no higher fees than if they were not referred.

## **Item 15 - Custody**

Each client's assets that ThomasPartners, Inc. manages are held in accounts established by the client at independent broker-dealers such as Charles Schwab; TD Ameritrade; and Fidelity Investments. In some instances, our clients choose other broker-dealer/custodians.

All such broker-dealer/custodians send clients periodic statements of account--generally monthly, but at least quarterly. ThomasPartners, Inc. sends its clients quarterly reports of the assets we manage for them.

We urge our clients to carefully compare the statements provided by their account custodians to our reports. If they have any questions, they are invited to contact us or the custodian.

## **Item 16 - Investment Discretion**

When you give ThomasPartners, Inc. discretionary authority over your investments, then we will decide, without each time obtaining your specific consent:

- the securities to be bought or sold,
- the amount of the securities to be bought or sold,
- the broker or dealer to be used in some instances, and
- the commission rates paid.

You grant us this authority in the client agreement you sign and in a Limited Power of Attorney (LPOA) form provided by the broker-dealer/custodian of your accounts.

If you wish to place limitations on our investment authority, you may do so in writing. Such limitations might include investments in certain securities or certain kinds of securities.

## **Item 17 - Voting Client Securities**

ThomasPartners, Inc. will not have proxy-voting authority over your securities, unless you participate in certain asset-based fee programs. (Please see item 4). Otherwise, the obligation to vote proxies will rest with you.

### *Certain Asset-Based Fee Programs*

TPI will vote proxies for Clients in Smith Barney's UMA and Fiduciary Services programs, and for certain Smith Barney dual contract Clients who elect the adviser to vote proxies within their custodial agreement. TPI has retained the services of an independent third-party to serve as the proxy administrator. TPI utilizes the proxy administrator to facilitate the voting process and to provide recordkeeping with respect to how client proxies are voted. TPI's proxy administrator is responsible for receiving and compiling the applicable proxies, voting the proxies in accordance with TPI's established proxy voting policy, and submitting the votes promptly and properly. TPI has elected to follow Broadridge's Egan-Jones Ratings Co. Proxy Voting Guidelines.

Proxies received after the termination date of a client relationship will not be voted. Such proxies should be delivered to the last known address of the client or to the intermediary who distributed the proxy with a written or oral statement indicating that the advisory relationship has been terminated and that future proxies for the named client should not be delivered to TPI.

TPI has implemented procedures designed to prevent conflicts of interest from influencing proxy voting decisions. These procedures include our use of the Guidelines and Broadridge Recommendations. Proxy votes cast by TPI in accordance with the Guidelines and Broadridge Recommendations are generally not viewed as being the product of any conflicts of interest because TPI casts such votes pursuant to a pre-determined policy based upon the recommendations of an independent third party.

TPI's complete proxy voting policy and procedures are memorialized in writing and are available for review upon request by a client or a prospective client. In addition, our complete proxy voting record is available to clients. Please contact TPI by calling the telephone number on the cover page of this brochure for questions or to request either of these documents.

## **Other**

You will receive proxies from your custodian or your custodian's agent. You are free to contact us for advice or information about a particular proxy vote. However, ThomasPartners, Inc. will not have proxy-voting responsibility as a result of providing advice to you.

When and if we accidentally receive proxy information for a security held in your account, we will immediately forward such information to you so you can vote your proxy. If you terminate your agreement with ThomasPartners, Inc., we will make a good faith and reasonable effort to forward proxy information to the forwarding address you provide.

## **Item 18 - Financial Information**

ThomasPartners, Inc. does not require prepayment of fees 6 months or more in advance, and as a result we are not required to provide our balance sheet to our clients.

TPI's financial condition will not impair its contractual commitments to its clients.

ThomasPartners, Inc. has never been the subject of a bankruptcy petition.