

# THOMPSON DAVIS

## ASSET MANAGEMENT

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TD&Co.

Form ADV Part II Brochure  
For  
Separately Managed Accounts

March 28, 2012

This brochure provides information about the qualifications and business practices of Thompson Davis Asset Management. If you have any questions about the contents of this brochure, please contact your financial advisor or Kevin Rutherford, Chief Compliance Officer, at 804-644-6380 or [KRutherford@ThompsonDavis.com](mailto:KRutherford@ThompsonDavis.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Thompson Davis Asset Management is a SEC Registered Investment Advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you would use for determining whether to hire or retain an Advisor. Additional information about Thompson Davis Asset Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published amendments to Form ADV+ which amends the disclosure document that all advisors provide to clients as required by SEC Rules. This Brochure dated **03/28/2012** is our required annual amendment to Form ADV.

This Item of our brochure discusses only specific material changes that have been made to our previous Brochure dated 03/30/2011. We will further provide clients with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting us at 804-644-6380, downloaded from our web site [www.ThompsonDavis.com](http://www.ThompsonDavis.com) or viewed at the SEC website <http://www.adviserinfo.sec.gov>.

We urge you to carefully review this document in its entirety as well as all subsequent summaries of material changes. This document contains important information about our advisory services, fee structure, business practices, conflicts of interest and disciplinary history.

We do not believe any material changes have been made to this brochure since our last update.

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## **Item 4 – Advisory Business**

### **Thompson Davis Asset Management**

#### **Background Information**

Thompson Davis Asset Management (TDAM) is a division of Thompson Davis & Co., Inc. Thompson Davis & Co., Inc. (TDC), a New York corporation that commenced operation as a registered broker/dealer under the Thompson Davis & Co., Inc. name in July of 2002 and is currently dually registered as an investment advisor and broker/dealer with the Securities and Exchange Commission (SEC). The firm began its registered investment advisory operations in February 2007. In its broker/dealer capacity, TDC is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Thompson Davis & Co., Inc. is a privately held, employee owned business. The principal owners are E. Hunter Thompson and William D. Davis, Jr.

#### **Advisory Services**

TDC provides discretionary advisory services through separately managed accounts to individuals, corporations or other business entities, trusts, estates, charitable organizations, and retirement plans located primarily inside the United States through TDAM. In addition, TDAM serves as investment manager to a limited partnership, Seven Hills Capital Partners, LP (Seven Hills.) This brochure will focus on our separately managed account advisory services. A different brochure focuses on Seven Hills Capital Partners, LP.

When you invest in a Separately Managed Account (SMA), you own individual securities. Although TDAM has a distinct investment style, you have the freedom and flexibility to tailor your portfolio to address personal preferences and financial goals. Although portfolio managers may oversee many separately managed accounts and some accounts may be managed with other accounts to a specific strategy, your account is separate and distinct from all others.

TDAM provides discretionary investment supervisory and management services defined as providing continuous investment advice based on each client's individual needs. Upon execution and acceptance of a TDAM Investment Advisory Agreement, the TDAM investment advisor representative assists clients with the establishment of an individual account (Account) for the client at TDC (as the introducing broker/dealer) and cleared through Pershing LLC. The clearing broker/dealer will serve as the qualified custodian for Accounts through TDC.

TDAM specializes in active investing of smaller company common stocks described in detail in Item 8 below. While this style of active investing is an area of specific expertise, TDAM can tailor other investment approaches according to our client's needs. TDAM collects certain information about our customer's financial situation such as their income, net worth, liquid assets, tax status, investment time horizon, and investment objectives. In addition, TDAM advisors seek to learn additional client information such as a client's risk tolerances, investment experience, and the types of investments and amount to activity a customer is comfortable with in their account. You are required as a customer to notify us if your financial situation or investment objectives have changed. Unlike many asset management programs, TDAM allows clients to request limitations or restrictions on investing in certain securities or types of securities. We firmly believe you should be allowed to have a say in what happens with your money.

As of March 28, 2012, TDAM managed \$88,370,179 on a discretionary basis through separately managed accounts and a limited partnership.

## Item 5 – Fees and Compensation

Many asset managers charge a fee based on the amount of assets, and separately have the customer pay for transaction costs. TDAM combines these fees together by solely using standardized deeply discounted transaction fees as the basis for the fees in the client accounts and not charging an asset based fee. TDAM believes this pricing relationship works better for the client when factors such as the following are taken into consideration: transaction fees are not charged on cash balances which could be helpful during adverse market conditions when maintaining a defensive cash position may be desirable; the intended and historical performance; when compared to other more aggressive alternatives, such as hedge funds. Because of the active nature of TDAM's portfolio management style, this could result in higher fees compared to fees based on a wrap+fee concept or other asset based fees. However the track record will always be measured net of transaction fees and the objective is to outperform the general markets net of transaction fees. You should be aware, since TDAM is paid by transaction fees there is an inherent conflict of interest between the portfolio manager and the client in that TDAM controls the ability to receive more fees by executing more transactions.

Advisory fees are charged on a transaction basis with the maximum fee paid in accordance with the following fee schedule. This fee schedule also serves as exhibit A of the TDAM Investment Advisory Agreement. Such fees may be discounted from the fee schedule at the sole discretion of the advisor(s) managing the account. All fees are negotiable. Advisory fee compensation is payable upon or after the transaction's completion or settlement (in arrears) and is automatically included in each transaction. Because such compensation is provided after the firm's service, a refund would not be necessary unless an error occurred within the transaction itself. When such errors occur, the firm will provide refunds to clients after an error's reversal or settlement.

### TRANSACTION FEE SCHEDULE

#### Stocks Priced Under \$1

If gross in the trade is:	The fee is:
\$0 but less than \$1,000	11.76% + \$9.80
\$1,000 but less than \$10,000	7.00% + \$60.20
\$10,000 and above	5.60% + \$201.60

#### Stocks Priced \$1 and above/100 Share Round Lot and Odd Lots

If gross in the trade is:	The fee is:	For odd lot subtract:
\$0 but less than \$800	3.089% + \$14.52	\$3.09
\$800 but less than \$2,500	2.008% + \$24.71	\$3.09
\$2,500 but less than \$5,000	1.390% + \$40.15	\$3.09
\$5,000 and above	1.453% + \$41.98	\$3.23

#### Stocks Priced Above \$1 Multiple Round Lots

If gross in the trade is:	The fee is:	Plus 1-10 round lot:	Plus 11 & above:
\$0 but less than \$2,500	2.008% + \$ 26.25	\$9.27	\$6.18
\$2,500 but less than \$5,000	1.390% + \$ 41.70	\$9.27	\$6.18
\$5,000 but less than \$20,000	1.453% + \$ 43.59	\$9.69	\$6.46
\$20,000 but less than 30,000	0.969% + \$142.09	\$9.69	\$6.46
\$30,000 and above	0.646% + \$229.27	\$9.69	\$6.46

#### Options Priced Under \$1

If gross in the trade is:	The fee is:
\$0 but less than \$1,000	11.76% + \$0
\$1,000 but less than \$10,000	7.00% + \$47.60
\$10,000 and above	5.60% + \$187.60

**Options Priced \$1 and Above 1 Option****If gross in the trade is:**

\$0 but less than \$800  
 \$800 but less than \$2,500  
 \$2,500 but less than \$5,000  
 \$5,000 and above

**The fee is:**

3.089% + \$9.88  
 2.008% + 18.53  
 1.3090% + 33.98  
 1.453% + \$35.52

**Multiple Options Priced Above \$1****If gross in the trade is:**

\$0 but less than \$2,500  
 \$2,500 but less than \$5,000  
 \$5,000 but less than \$20,000  
 \$20,000 but less than \$30,000  
 \$30,000 and above

**The fee is:**

2.008% + \$18.53  
 1.390% + \$33.98  
 1.453% + \$35.52  
 0.969% + \$132.40  
 0.646% + \$229.27

**Plus opts.****1-10:**

\$9.27  
 \$9.27  
 \$9.69  
 \$9.69  
 \$9.69

**Plus Opts.****11 & above:**

\$6.18  
 \$6.18  
 \$6.46  
 \$6.46  
 \$6.46

**Bonds and other fixed income instruments:** Maximum charge 3% of principal amount

Below is an example of how to calculate a transaction fee based on the schedule above:

Example 1: 2000 shares of a \$5 stock (See section entitled: Stocks > \$1 and multiple round lots.)

Calculation:	Principal Amount:	10000
	Tier	1.453%
		145.30
		+43.59
		43.59
	Lot charge	
	1-10	96.90
	11-20	<u>64.60</u>
	Max Fee	350.39

Please do not hesitate to contact us if you have any trouble calculating fees based on the schedule above.

As part of the overall transactional fees, Thompson Davis & Co. charges all transactions a handling fee/service charge of \$5 in addition to the transaction fee schedule above. Advisors do not receive the \$5 handling/service charge. Based on the fee schedule above, there may be a financial incentive for an advisor to perform a series of smaller transactions rather than fewer larger transactions, as it may result in a higher overall percentage of fees generated in an account.

Pursuant to Section 31 of the Securities Exchange Act of 1934, a transactional fee is charged on all executed sales. The SEC makes annual, and in some cases, mid-year adjustments to the rate. Other regulatory fees may also apply to certain transactions.

Syndicate transactions, including initial public offerings, secondary offerings, private investments in public equity, private placements, etc., generally involve a selling concession paid directly from the issuer to the advisor and are not subject to the maximum fee schedule above. These types of transactions contain a conflict of interest with our advisory relationship. Your advisor has an incentive to recommend syndicate transactions because they generally provide a higher level of compensation to the advisor than other investments. This could cause an advisor to put his financial interests ahead of yours. You may opt out of this type of transaction by notifying us of your intent in writing. In addition, TDAM has specific procedures, outlined in Item 11 that addresses principal transactions.

In addition, our clearing firm, Pershing LLC, may charge accounts certain additional fees such as wire transfer fees, fees associated with checks, margin interest on margin

balances, safekeeping fees, account transfer fees as well as other miscellaneous items. A miscellaneous fee schedule is available upon request. Thompson Davis & Co. does not charge these miscellaneous account fees but may receive an economic benefit from these fees through Pershing LLC. As TDC may receive an economic benefit from margin interest charged, there may be an incentive for an advisor who is also a shareholder of TDC, to have a customer carry a margin balance. No direct compensation is provided to an individual advisor for such margin activities and you would need to opt in for the use of margin by signing a margin agreement.

Clients may also incur certain charges imposed by third parties other than Thompson Davis & Co. in connection with investments made through the account, including but not limited to, mutual fund sales loads, surrender charges, and IRA and qualified retirement plan fees. In some instances TDC may receive some portion of these charges. Mutual funds, including money market funds, often have some sort of management, sales, or distribution fee which may be partially shared with TDC and/or your advisor. This could cause a conflict of interest as an advisor may receive a greater level of compensation for directing your investments toward a certain provider. Please see a fund's prospectus for more information about fees.

No matter what structure of compensation a firm receives for managing customer's assets, conflicts of interest are inevitable. TDC attempts to avoid these conflicts whenever possible and if not feasible, we try to disclose these conflicts to our customers. The primary means we have of disclosing these conflicts of interest to our customers is through this brochure which is updated not less than annually.

Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with our firm. Additional information regarding brokerage practices is available in Item 12 below.

Separately managed account clients may terminate our business relationship at any time, effective from the time TDAM receives written notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress. There will be no penalty charge on termination. This agreement will also be terminated on the fifth (5<sup>th</sup>) day after TDAM sends notice to client in writing of TDAM's intent to terminate this agreement or such other time as may be mutually agreed upon, also subject to the settlement of transactions in progress. As fees are charged per transaction, no refund of previously billed advisory fees would be available.



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

TDAM also acts as the investment advisor to a hedge fund, Seven Hills Capital Partners. TDAM is eligible to receive a performance fee for managing the partnership which could create an incentive for TDAM to focus more on the partnership. Managing two different formats of investments is often referred to as side by side management and doing so creates some conflicts of interest. For example, because the advisory fees payable to the investment manager by the partnership may exceed advisory fees payable by the separately managed accounts, the Investment Manager might be viewed as having an incentive to favor the partnership over other accounts in its trading activities. The Investment Manager's advisory activities on behalf of the partnership may increase the level of competition among such clients' accounts and the Partnership for the execution of the same or similar transactions. Also, the Partnership will be in competition with the Investment Manager's other clients for the limited amount of time the Investment Manager has to monitor the various trading portfolios, and orders for securities transactions for the Partnership may be grouped with orders for other clients of the Investment Manager. The Investment Manager believes that it has sufficient time to devote to monitoring and trading both the separately managed accounts and Partnership's assets. In addition, TDAM believes it has created and implemented internal allocation policies and procedures to address these conflicts. Please reference Item 12 for a description of TDAM's allocation procedures.

## **Item 7 – Types of Clients**

TDAM provides investment advisory services to individuals, corporations or other business entities, trusts, estates, charitable organizations, and retirement plans. TDAM's recommended minimum account size for client accounts is \$100,000. Under certain circumstances, TDAM will consider waiving the minimum account size requirements; provided however, smaller account sizes could potentially be at a disadvantage regarding transaction fees and diversification, and may experience markedly different performance. Small accounts, if accepted, will likely be invested in a small number of securities, or possibly a single security, and therefore, be exposed to considerably more risk as well as incurring significantly higher fees as a percentage of equity. In addition, smaller accounts, primarily because they will be less diversified, will be prone to larger swings in account value.

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

### **Investment Philosophy of Thompson Davis Asset Management**

The approach to managing money for the clients of TDAM has very deep roots in terms of process and discipline. The principals of TDAM have been using a bottom-up approach and capitalizing on perceived informational advantages throughout their careers. The style of TDAM can be best described as an all-cap+aggressive growth and trading strategy. By engaging TDAM to manage your separately managed account, you are adopting this strategy, although, upon request, TDAM can tailor a strategy to meet your specific needs. Our central strategy is founded upon the discipline of researching, investing and trading in companies that TDAM believes have the potential to meet the majority or all of certain bottom-up fundamental criteria over the next four quarters. This process is founded upon the discipline TDAM refers to as the Great 8.

#### **The Great 8**

- 1) 20% + revenue and earnings growth.
- 2) Sequential revenue and earnings growth. Quarter over quarter improvement in both top and bottom line.
- 3) Insider buying in open market. Top management buys the company's stock in the open market, with their own money.
- 4) Significant management ownership of the stock. Shows commitment to performance.
- 5) Strong balance sheet, little or no debt or manageable declining debt. Strong cash position or debt reduction efforts should be present.
- 6) Member of a growing market sector. Typically no deep cyclical or natural resource sectors.
- 7) Gross margin expansion and market share gains. Shows market demand for products or services.
- 8) Selling at a discount to the company growth rate. Allows for P/E expansion towards growth rate.

### **Thompson Davis Asset Management Focused Research Methodology**

TDAM uses these eight fundamental criteria to search for potential companies to add to our clients' portfolios. Our portfolio managers and analysts conduct daily searches for growth companies by considering and reviewing information that may include the following:

#### *Insider Buying Filings*

We review SEC filings for companies where company insiders also buy their company's stock in the open market, with their own money.

#### *Computer Screening*

We run daily computer screens that look for sequential revenue and earnings growth, strong balance sheets and companies selling at a discount to their growth rates.

#### *New High List*

We review the New High List daily to review strong sectors and strong stocks.

### *Examining Earnings Releases*

We examine earnings releases and the company guidance that is given in these releases, searching for undervalued opportunities.

Once we find an interesting prospective investment, we continue the process by attempting to uncover a company's true potential, which may include the following:

*Reviewing public financial information* - 10K, 10Q, Annual Reports, Research Reports.

*Interviewing the CFO and/or CEO* - We interview management through conference calls and visits in our office and theirs. We ask the tough questions needed to form an objective opinion.

*Analyzing management* - We attempt to determine if the management is credible. We examine their background and history. We look for management teams that are excited about the company's prospects, without being promotional.

*Identifying data points* - We attempt to talk to the company's suppliers, vendors and their competition to get a well-rounded objective view of the company.

*Developing a one year earnings model* - We develop a complete, detailed earnings model for the next four quarters.

These stocks are considered *core* positions. TDAM may increase or decrease *core* positions in the short term based on TDAM's perceived near term value of the position. The analysis above is an example and not every investment idea may go through each step outlined above.

While many of TDAM's core ideas come from the research process and the Great 8, occasionally TDAM may uncover and take advantage of investment opportunities outside of the Great 8 framework. TDAM refers to this as *event driven trading positions*.

Since TDAM is very pro-active in its approach, trading in these accounts can have a much higher activity level than a *buy and hold* approach. This increased activity will cause increased costs for clients in terms of tax considerations and brokerage expenses as further described below. This active investing in certain positions can best be described as an investment strategy involving on-going buying and selling actions, with continuous monitoring in order to exploit profitable conditions.

### **Features, Risks, Disclosures and other important information**

**Active or Frequent Trading Risk Disclosure:** TDAM utilizes a strategy whereby the portfolio manager may engage in frequent and/or intra-day trading of portfolio securities to achieve the aggressive growth and trading investment goal. This activity can be used to attempt to achieve short term gain or attempt to protect the portfolio from loss as in where stop-loss orders are triggered when a certain security falls by a certain parameter. Active trading may result in very high portfolio turnover and correspondingly greater transaction cost which will be borne directly by the client. In some cases portfolio turnover (total value of purchases annually divided by average account value) may exceed 600% and the cost-to-equity ratio (total annual fees divided by average account

value) may exceed 10%. In addition, because the strategy requires the portfolio manager to be more price sensitive than time sensitive (i.e. may sell securities when they reach a certain price point regardless of the time held, based on, but not limited to valuation, technical levels, news, research calls or market conditions and also may sell as a stop-loss point is reached or may sell to protect the overall portfolio from market risk) active trading may have tax consequences for certain types of accounts creating a possible increase in short term capital gains or losses. During periods of increased market volatility, active trading will be significantly more pronounced as the portfolio manager will attempt to take advantage of any opportunities the volatility may present as well as attempt to protect the overall portfolio with stop-loss orders. During periods where the portfolio manager determines that the market conditions are not conducive to attempt to achieve the investment strategy goal and believes the risk of potential loss is too great, the portfolio manager may hold few, if any, securities in the portfolio until such conditions change. This could result in the portfolio having significant amounts of cash for a period of time until the portfolio manager determines that the market conditions are again conducive to deploy capital toward the investment strategy. We believe our aggressive growth and trading strategy which employs frequent or active trading can improve the risk profile of the portfolio by seeking many small gains, attempting to limit losses through stop-loss points, and seeking to reduce the damage caused by any one adverse trade or large position.

**Liquidity Risk:** It is common that the stocks we invest in are emerging companies not widely followed by Wall Street (micro-cap stocks), and may not be as liquid as larger capitalization stocks and therefore can be considered riskier, clients have to be willing to accept a higher than normal risk. However, since the primary goal is to make money for the clients, TDAM also may have opportunistic positions in very large capitalization stocks that are very liquid. In other words, TDAM utilizes wide latitude in its stock selection, when searching for undervalued companies. This is why TDAM refers to the style as %all-cap.+ This allows multiple opportunities to take advantage of market inefficiencies to make money for the clients. In terms of some of the smaller stocks TDAM invests in, there could be times due to liquidity or price movement that TDAM may be unable to place a given stock in all of the client portfolios. This can and will result in some conflicts at times regarding the allocation process. Please see Item 12 for the firm's allocation process.

**Employee Participation:** As one of the criteria the Great 8 describes, TDAM is looking for stocks where there is significant management ownership of the stock. Following this principal, many times the portfolio manager and employees of TDAM may invest alongside the clients in the same stocks. This could be perceived as a conflict of interest, but TDAM believes in %putting our money where our mouth is,+ and we believe this makes TDAM more sensitive to the needs of the clients. TDAM also has systems in place so clients are not disadvantaged as to price execution.

**Style differences:** While TDAM follows a similar philosophy to investing, the individual investing styles of each portfolio manager may differ. An individual portfolio manager may focus more on event driven trading positions than core positions; or focus more on emerging, smaller capitalization issues than larger capitalization issues; or hold differing levels of cash; or hold a large number of smaller positions in an account or fewer more concentrated holdings, as well as other style differences. These style differences may result in different performance between portfolio managers.

**Shorting, Margin and Use of Leverage:** TDAM often opens client accounts as margin accounts and if TDAM elects to use margin, such use can magnify risk to clients' accounts. As these are separately managed accounts, use of margin should be

discussed with your portfolio manager. Separately managed accounts wishing to use margin are required to complete a margin agreement with our clearing firm, Pershing LLC. Other forms of leverage open to TDAM include options, short sales, and other inverse or leveraged derivative instruments. TDAM also has the ability to short stocks in the client portfolios, and a high level of risk is associated with this strategy. Shorting securities requires the use of margin. TDAM believes shorting provides additional opportunities to make money for margin approved clients if TDAM believes a stock is overvalued. TDAM may purchase broad market, industry specific or commodities-based, leveraged and/or inverse Exchange Traded Funds (ETFs) as short term trading vehicles or for hedging purposes. These ETFs typically use derivatives to their achieve goals and their performance can deviate substantially from the performance of their linked asset, particularly over longer periods of time. In rare circumstances, structured products may be offered to certain Clients. These products often involve a significant amount of risk and should only be offered to Clients who have carefully read and considered the product's offering documents, as they are often times based on derivatives. Structured products are intended to be "buy and hold" investments and are not liquid instruments.

**Cash levels:** From time to time there may be large cash balances in the client accounts, which earn interest at the prevailing money market rates (taxable or tax-free). If TDAM believes it is in the best interest of the clients, TDAM has the ability to go to 100% cash in their portfolio, which has risk of return associated with being out of the market.

**Performance differences:** TDAM believes in managing its separately managed accounts on an individual basis rather than a one size fits all model portfolios. Investment decisions are based on customers' objectives, risk tolerances, conversations with the customer, as well as other factors. The composition of individual customer portfolios (and thus performance and security allocation) will vary based on the above factors as well as a customer input on investment levels and individual positions, customer willingness to use margin or options, availability of certain investments, size of the account, cash availability at the time of an investment opportunity, tax considerations, customer preferences on activity levels, as well as other factors. Customers are encouraged to discuss their preferences and goals in depth with their advisor.

**Best Execution:** The clients consent that TDAM will use reasonable diligence in assuring clients receive the best possible price in terms of execution, and again, TDAM has systems in place to manage this. However, clients direct TDAM to execute most, if not all, transactions through Thompson, Davis & Co., Inc., which in turn clears through Pershing, LLC, Member NYSE/FINRA/SIPC (which will also have custody of the client accounts), and which could be perceived as a potential conflict.

### **Primary Investment Risks**

As with any investment manager that invests in common stocks, TDAM's investments are subject to market risk. The possibility that common stock prices will decline over short or extended periods of time. As a result, the value of your account will fluctuate with the market, and you could lose money over short or long periods of time. You should recognize whenever you invest in the securities markets your entire investment is at risk. You should not invest money if you are unable to bear the risk of total loss of the investment.

TDAM's estimate of a company's current worth may prove to be inaccurate, or this estimate may not be recognized by other investors, which could lead to portfolio losses.

The prices of small and micro-cap securities are generally more volatile and their markets are less liquid relative to larger-cap securities. Therefore, our investment

strategy may involve considerably more risk of loss and its returns may differ significantly from other investments, including mutual funds, investing in larger-cap companies or other asset classes.

Smaller companies offer investment opportunities and additional risks. They may not be well known to the investing public, may not be significantly owned by institutional investors and may not have steady earnings growth. In addition, the securities of such companies may be more volatile in price, have wider spreads between their bid and ask prices and have significantly lower trading volumes than the securities of larger capitalization companies. As a result, the purchase or sale of more than a limited number of shares of the securities of a smaller company may affect its market price. TDAM may need a considerable amount of time to purchase or sell its positions in these securities.

Small capitalization stocks are often followed by few, if any, securities analysts, and there tends to be less publicly available information about them. Their securities generally have limited trading volumes and are subject to abrupt or erratic market price movements. Such companies may also have limited markets, financial resources or product lines, may lack management depth and may be more vulnerable to adverse business or market developments. These conditions, which create greater opportunities to find securities trading well below our estimate of the company's current worth, also involve increased risk.

Customer's accounts are dependent on TDAM for their success, and TDAM in turn relies on both its research methodology and the account's portfolio manager(s). To the extent that the market for small and micro-cap securities does not reward those factors utilized by our research methodology, the performance of the account may be negatively affected.

While not common, we may occasionally invest in foreign securities. Investment in foreign securities involves risks that may not be encountered in U.S. investments, including adverse political, social, economic or other developments that are unique to a particular region or country. Prices of foreign securities in particular countries or regions may, at times, move in a different direction and/or be more volatile than those of U.S. securities. Because we do not intend to hedge its foreign currency exposure, the U.S. dollar value of the Fund's investments may be harmed by declines in the value of foreign currencies in relation to the U.S. dollar.

Investments through TDAM are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although TDAM's approach to security selection seeks to reduce downside risk by seeking out value, especially during periods of broad smaller-company stock market declines, it may also potentially have the effect of limiting gains in strong smaller-company up markets.

#### **Securities transactions at the direction of clients**

TDAM allows its clients to direct TDAM to purchase, hold, or dispose of securities in a customer's own account. TDAM will not be responsible for the consequences of a client's own directed investment decisions. In addition, if a client chooses to overweight or concentrate their account in one or a few individual investments, the client is assuming a much higher degree of risk than a diversified approach to investing and TDAM will not be responsible for the repercussions of the client's investment choices. Also, clients should be aware if they direct TDAM to change various investments or

general investment levels, these actions will increase portfolio turnover, account costs and possibly hinder account performance.



## **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of TDAM or the integrity of TDAM's management. TDAM has no history of material disciplinary action.

## **Item 10 – Other Financial Industry Activities and Affiliations**

TDC is dually registered as a Broker/Dealer and Registered Investment Advisor. Also, some individual advisors of Thompson Davis & Co. are registered to sell fixed annuity/insurance products and may receive compensation for doing so.

Employees of TDAM were involved with the formation of Seven Hills Capital Partners LP (the LP) created for private investment purposes and Seven Hills Capital Management LLC (which serves as the general partner (the GP) for the LP). TDAM has been appointed by Seven Hills Capital Management LLC to serve as the investment manager of Seven Hills Capital Partners LP. Seven Hill Capital Management LLC is controlled by William D Davis, Jr. and Harper Stephens who are also employees of TDAM, investors in the LP and through their role at TDAM, are responsible for portfolio management of the LP. Of the start-up costs of the LP, the LP paid 80% and TDAM paid 20%. TDAM loaned the GP, who in turn loaned the LP the start-up costs, all on an interest free basis. The LP will pay back the start-up costs in equal installments over 60 months. Because TDAM has paid a portion of the start-up costs and loaned funds on an interest free basis, the LP will likely experience better performance than if the LP had paid all start-up costs and interest expense if applicable. We do not believe this arrangement will have a material impact on performance. Due to the relationship between the LP, TDAM and Seven Hills Capital Management, LLC a conflict of interest exists which may cause personnel of these entities to suggest investments in either the LP or Separately Managed Accounts over other investment alternatives. This conflict of interest could also lead an advisor to suggest switching assets from a separately managed account to the LP, or vice versa, if the advisor perceives a higher level of compensation may result from the other investment. Interests in the LP will not be registered under the U.S. Securities Act of 1933 (~~Securities Act~~) or the securities laws of any state or other jurisdiction. Interests will be offered and sold in the United States to sophisticated investors under the exemptions provided by Section 4(2) of the Securities Act and Regulation D. The Companies will not be registered under the Investment Company Act of 1940 in reliance upon the exemption provided by Section 3(c) (1) of that Act.

The day-to-day investment decisions for Seven Hills Capital Partners LP will be made by portfolio managers that may include the same employees primarily responsible for managing individual separately managed accounts. The Portfolio Managers may follow similar or different investment strategies for the LP as they follow for other client portfolios.

While Portfolio Managers will use their best efforts to provide the LP and other client portfolios with suitable investment opportunities, it is possible that Portfolio Managers might not present the LP and other client portfolios with the same investment opportunities that may come to their attention even if such opportunities are consistent with the LP's and other clients' investment objectives. Portfolio Managers will use their best judgment and specific knowledge of the LP and client accounts when determining which securities to recommend or invest in specific instances.

Because Portfolio Managers may manage multiple accounts for different groups of clients, it is possible that some clients could be placed at a disadvantage with respect to the timing of trading decisions and/or the price of securities. Moreover, it may be perceived that the Companies' Portfolio Managers have an incentive to favor the LP over other client portfolios because the LP may pay a performance-based incentive fee to TDAM. However, TDAM does not believe that such conflict of interest is material because the investment objectives and strategies of the LP are different from that of many client portfolios. Nevertheless, TDAM and the Portfolio Managers will attempt to resolve any actual or perceived conflicts of interest in a manner consistent with TDAM's fiduciary duties.

In some instances we may recommend to you the services of another investment advisor. For example, we may recommend a specific mutual fund to you and receive compensation from that fund for your investment. This represents a conflict of interest as an advisor has a financial interest in recommending a particular fund. We monitor the recommendations our advisors make on a daily basis and utilize a third party automated system which flags transactions based on preset criteria.

## **Item 11 – Code of Ethics**

In furtherance of the commitment of TDAM to full compliance with its responsibilities under the securities laws, TDAM has adopted the following code of ethics, policies and procedures:

1. TDAM has appointed a Chief Compliance Officer for purposes of administering and overseeing compliance with its Code of Ethics, Policies and Procedures. TDAM's Chief Compliance Officer also serves as the resource for giving guidance and answering questions about the code of ethics, policies and procedures.
2. All of the TDAM's owners, directors, officers and employees upon commencing employment or service with TDAM, and each year thereafter, are required to read this Code of Ethics, and attest to their understanding of the Code of Ethics. Attestations of the directors, officers, and employees are retained in the personnel compliance files.
3. In addition, the Chief Compliance Officer or designee, in the exercise of his best judgment, has the authority to establish a continuing education program to highlight the different types of conflicts of interest that may be present in particular situations, as well as give guidance to owners, officers and employees as to what types of information present potential for abuse. This program may advise TDAM's personnel as to recent developments or revised requirements through such avenues as memoranda and meetings.
4. TDAM recognizes that at times its owners, officers or employees may come into possession, or be deemed in possession, of material non-public information about the corporations and other entities that it researches or about which TDAM may provide investment advice to clients (hereinafter, the "Subject Corporations"). TDAM recognizes that all material information regarding the Subject Corporations must be disclosed to the public, if at all, by the Subject Corporations in accordance with applicable legal and regulatory requirements.

It is the policy of TDAM that all material information which has not been publicly disseminated shall be distributed within TDAM only on a strict need-to-know basis, and no owner, officer or employee of TDAM shall be permitted to disclose such information on a selective basis, or to use such information to his or her personal advantage or for the benefit of others. In addition, TDAM's owners, officers and employees shall promptly notify the Chief Compliance Officer of the names of any Subject Corporation as to which they come into possession of material non-public information.

5. Owners, officers and employees of TDAM, while in possession of material non-public information, may not (i) buy, sell, exchange or otherwise trade in the Subject Corporation's securities, in securities convertible into the Subject Corporation's securities or in put or call options on the Subject Corporation's securities or (ii) disclose such information to anyone not authorized to receive the information. Similarly, owners, officers and employees of TDAM, while in possession of material non-public information, may not advise its advisory clients to, or execute transactions on behalf of clients for which it holds discretionary trading authority to, buy, sell, exchange or otherwise trade in the Subject Corporation's securities, in securities convertible into the Subject Corporation's securities or in put or call options on the Subject Corporation's securities. If there is any doubt as to whether the information is material and/or non-public, clarification and guidance, TDAM's policies require that guidance be sought from the TDAM's Chief Compliance Officer.
6. All of TDAM's owners, officers and employees upon commencing employment or service with TDAM and thereafter shall notify TDAM's Chief Compliance Officer in writing of any public companies in which he or she is or becomes a director, officer or 10% shareholder. TDAM's owners, officers and employees are required to promptly notify the Chief Compliance Officer of any changes in such status.
7. Any employee of TDAM who learns that material non-public information has been selectively communicated to an unauthorized person is required to immediately notify the Chief Compliance Officer.
8. If material non-public information is to be given to consultants or other individuals who are not employees of TDAM, at his discretion, the Chief Compliance Officer may require some form of written acknowledgment of the confidentiality of the disclosed material and/or a confidentiality agreement executed between the concerned parties.
9. TDAM's Chief Compliance Officer, or designee, shall investigate all cases where he or she becomes aware that material non-public information may have been misused. Such investigation shall document the relevant details of the event, including without limitation, the name of the security, the personnel and accounts involved, the date the investigation commenced, and its disposition.
10. It is TDAM's policy that all of its owners, officers and employees comply fully with the insider trading laws and regulations. Violations (whether inadvertent or intentional) will not be tolerated by TDAM and could result in severe disciplinary action being taken against the owner, officer or employee.

A copy of TDAM's Code of Ethics is available upon request.

TDAM may act as principal in a securities transaction with a client. However, TDAM will not act as principal in a transaction without providing written disclosure to the client, as specified in Section 206(3) of the Investment Advisers Act, in which TDAM is acting before completion of the transaction, and obtaining client consent to each transaction. Client is deemed to have granted consent if notification of each transaction is made and client fails to notify TDAM of client's denial of consent before the completion of the transaction. TDAM will do so only to the extent consistent with its duty to obtain best execution for the client and with appropriate client consent. Client may revoke consent to engage in such transactions at any time by notifying us in writing.

Associated persons of TDAM may also be registered as registered representatives of TDC and receive commissions based on transactions effected through TDC. The Chief Compliance Officer or designee will review all transactions of related persons of the company to ensure no conflicts exist with client executions.

TDAM, with appropriate disclosure and the client's written consent, may effect transactions for a client in which it acts as broker for both that client and the other party to the transaction and earn a transaction fee on the trade from that other party. TDAM will do so only to the extent consistent with its duty to obtain best execution for the client and with appropriate client consent, as specified in section 206(3) of the Investment Advisers Act. Client is deemed to have granted consent if notification of each transaction is made and client fails to notify TDAM of client's denial of consent before the completion of the transaction. Clients may revoke consent to engage in such transactions at any time by written notice to TDAM.

TDAM or its associated persons may recommend to clients the purchase or sale of investment products in which it or related persons may have some financial interest, including, but not limited to, the receipt of compensation. Seven Hills Capital Management, LLC (GP) is the general partner for Seven Hills Capital Partners LP (LP) who appointed TDAM as the investment advisor of the LP. Seven Hills Capital Management LLC (GP) is controlled by William D Davis, Jr. and Harper M. Stephens who are employees of TDAM, investors in the LP, and are responsible for portfolio management of the LP. Therefore, TDAM or its associated persons may have some financial interest, including, but not limited to, the receipt of compensation.

Because the advisory fees payable to the investment manager or the referral fee payable to a TDAM investment executive, by either the separately managed accounts or the partnership may exceed any commissions paid in standard broker-dealer accounts, the Investment executive/portfolio manager might be viewed as having an incentive to switch broker-dealer client assets to an advisory relationship in either a separately managed account or Seven Hills Capital Partners LP.

Any trading made by mistake or incorrectly placed by a portfolio manager which results in a loss in value of the client's investments will be reversed and TDAM will be responsible for the loss; provided, however, TDAM shall not be responsible for any gains that the client may have obtained had TDAM originally placed the correct order. TDAM will take steps necessary to minimize trading errors and if a pattern of errors is discovered, then TDAM will make any reasonable revisions to its policies necessary to avoid such trading errors in the future.

A trading error is generally an error in the placement, execution or settlement of a transaction, not an intentional or reckless act of misconduct; in addition, a good faith error in an investment recommendation or decision for a client does not represent a

trading error. Another way TDAM will define a trade error is the gain or loss generated in order to correct one of the following situations, including but not limited to:

- Overbuying or overselling of securities into or out of a client account, caused by clerical errors made by personnel of TDAM or the broker/dealer.
- Buying or selling of unintended securities into, or out of, a client account, caused by clerical errors made by personnel of TDAM or the broker/dealer.
- Erroneously executing buy transactions as sales or vice versa, caused by clerical errors made by personnel of TDAM or the broker/dealer.
- Buying or selling securities into or out of a client account, which is inconsistent with a client's written investment guidelines or restrictions.

Trade errors typically will not include (i) intentional or reckless acts of misconduct or (ii) good faith errors in judgment in making investment decisions for clients, but may include innocent errors and negligent acts. As part of a standard examination of an investment adviser, SEC examiners will typically review trading errors to determine if clients were in any way disadvantaged in the process and if errors were resolved in a timely fashion.

The trading area will review all trade errors and will maintain records that reflect the resolution of trading errors to evidence that customers were not charged losses as a result of the error. The Chief Compliance Officer or designee will also be responsible for reviewing the trade error file on at least a monthly basis.

- Errors found prior to settlement will be cancelled or ~~broken~~ unless it will affect the execution that will be achieved;
- Errors discovered after settlement will be corrected on an ~~as of~~ basis.
- If TDAM is at fault for the error, the error will be settled out of TDAM's own account, not using client brokerage or funds, in order to place the client in such as position as if the error never occurred (~~making the client whole~~).
- If the broker/dealer is at fault for the error, the broker/dealer is responsible for making the client whole.

The Chief Compliance Officer or designee will evidence review of the correction of trading errors for consistency, timeliness of resolution, and to identify patterns of losses; any material findings will be documented as a result, including any recommendations for changes to TDAM brokerage arrangements and/or order routing practices.

TDAM and/or its employees may buy, sell or hold securities it also recommends to clients, subject to the requirements of its internal policies and procedures. TDAM's policies are based on the principle that TDAM and its employees have a fiduciary duty to place the interests of clients ahead of their own interests. To the extent not prohibited by its policies, TDAM and/or its employees may hold, acquire, increase, decrease or dispose of securities or other interests at or about the same time that TDAM is purchasing or selling the same securities or interests for an advisory account. TDAM may manage discretionary accounts on behalf of its owners, employees, and family members.

TDAM has created and implemented internal controls to monitor client account activity and proper allocation of investment opportunities, based on each client's stated investment objectives and risk tolerance, to address these conflicts.

## Item 12 – Brokerage Practices

TDAM receives its advisory compensation through transaction fees. TDC is also registered with FINRA and various regulatory agencies to provide services as a Broker/Dealer. The Principals of TDC, in their capacity as Registered Representatives of the TDC, may recommend TDC's Broker/Dealer services to clients who have or are utilizing TDAM's advisory services. TDC's clients are free to implement advisory recommendations through any firm. Clients are under no obligation to purchase or sell securities through TDC. However, if they choose to do so, commissions may be earned which may be higher or lower than commission rates found at other Broker/Dealers. In this capacity, TDC may be compensated with fees and/or commissions. Notwithstanding such additional compensation, however, TDC believes that the overall level of services and support provided to clients by TDC outweighs the potentially lower transaction cost available under other brokerage arrangements.

The client in TDAM separately Managed Accounts directs that TDAM execute transactions through TDC, which in turn clears through Pershing, LLC, Member NYSE/FINRA/SIPC (which will also have custody of the client accounts). Not all advisors require their clients to direct brokerage to an advisor's affiliate. There is an inherent conflict of interest by executing investment advisory transactions internally. For example, there may be a disincentive to negotiate commission rates for clients and TDAM may not always be able to provide a client with "best execution". However, TDAM's policy is to treat our clients fairly and to always have their best interests in mind. TDAM seeks to provide quality execution at the best net results for clients, taking into consideration the size and complexity of orders. Clients may pay a brokerage commission in excess of that which another broker-dealer might charge for effecting the same transaction. However, TDAM has determined, in good faith that such commission is reasonable in relation to the value of brokerage, research and other services provided and the reliability, integrity, confidentiality, and overall responsiveness of TDAM's trading desk.

As a general matter, the investment manager considers it appropriate to execute trades for its separately managed accounts utilizing Thompson Davis's internal trading desk. Because commissions/fees/money market distribution assistance/margin interest sharing/etc received by TDC for executing transactions for its separately managed accounts provides an economic benefit to the shareholders of TDC (all of the portfolio managers are also shareholders of TDC), the advisor has an incentive to execute transactions through TDC, to clear through the Clearing Broker and maintain custody with the Custodian, which may not result in the lowest available brokerage commissions or custodial fees for the Client. Because transaction fees arise each time advisor causes a trade to be executed for clients account, and advisor is controlled by TDC who is also carrying the account, the advisor may have a greater incentive to trade frequently in the clients account.

Although each account is separately managed, Advisor may buy and sell the same securities for many accounts. When possible, Advisor may aggregate a transaction in the same security for many Clients for whom Advisor has discretion to trade. Clients in aggregated transactions receive the same price per unit. If different prices are paid for securities in an aggregated transaction, each Client in the transaction will typically receive the average price paid for the block of securities in the same aggregated transaction on that day. If Advisor is not able to fill an aggregated transaction, it will normally allocate the filled portion of the transaction to Clients on a pro rata basis.

Advisor may participate in new issues or underwritings (including offerings in which TDC is part of the "selling group") when it is deemed to be in the Client's best interest. You

may withdraw your consent to this type of transaction at any time by notifying us in writing.

Advisor has an obligation to ensure that its Clients receive the best execution for their trades. When evaluating best execution for Client accounts, the Advisor may consider a number of factors including net price, reputation of the broker, financial strength and stability, efficiency of execution, speed of execution, value of research provided, and other matters. Clients may direct Advisor to execute trades in an account at another broker-dealer. However, when brokerage is directed by Client to a firm other than TDC, the Advisor may not be able to negotiate commissions or obtain volume discounts or best execution. In addition, disparities in price may exist between clients who direct the Advisor to use a particular broker-dealer and clients who do not.

TDAM may receive from Pershing, without cost to TDAM, computer software and related systems support, which allows TDAM to better monitor client accounts maintained at Pershing. TDAM may receive the software and related support without cost because TDAM renders investment management services to clients that maintain assets at Pershing. The software and related systems support may benefit TDAM, but not its clients directly. In fulfilling its duties to its clients, TDAM endeavors at all times to put the interests of its clients first. Clients should be aware that TDAM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence TDAM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, TDAM may receive the additional benefits from Pershing such as access to client confirmations and statements; access market data systems; financial incentives for clearing trades through Pershing; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to trading systems for client order entry and account information as well as other benefits.

When the advisor believes it is appropriate he may aggregate the purchase or sale of securities for various client accounts. Aggregating client orders helps ensure one client is not favored over another in terms of the timing of transactions. TDAM has an aggregated order allocation policy that applies to all clients advised by TDAM. Trades are typically allocated pro-rata and shall be allocated in a manner that TDAM believes to be fair and equitable. No client will receive preferential treatment over any other. The officers and investment advisory personnel of TDAM will take steps to ensure that no client will be systematically disadvantaged by the aggregation, placement or allocation of trades. Allocations may be made to the personal accounts of owners, officers and investment advisory personnel of TDAM only when such allocations comply with this trade allocation policy and the employee trading policies and procedures of TDAM. Where a client's investment objectives are inconsistent with a particular trade, the advisor does not feel the transaction would be suitable based on his knowledge of the customer, or the client does not have sufficient cash or assets available to make a particular trade, TDAM may not allocate trades on a pro-rata basis among clients. In addition, in certain cases, transaction costs may prevent precise pro-rata allocation. The advisor has complete discretionary authority to determine whether aggregating orders would be appropriate in any given situation. This trade allocation policy will be reviewed by the Chief Compliance Officer on a periodic basis, not less than annually.

## Item 13 – Review of Accounts

Each Financial Advisor is involved in a continuous and on-going monitoring of his/her Client accounts to ensure that each security or asset allocation is suitable for the account based on information given by the Client. In addition, William D. Davis, Jr. and Kevin S. Rutherford (the "Managers"), Chief Executive Officer and Chief Compliance Officer of the firm, shall be responsible for reviewing all client accounts. The firm has approximately 450 advisory accounts. This review may be delegated to a designee. On a daily basis, at least one of the Managers or designee must review all trades made by TDAM for its clients. Review of such trades shall be evidenced by electronically signing the trade blotter on the day the trades were reviewed. The Managers or designee conduct an annual review of the profitability of client accounts and their investment objectives. The Managers or designee also will conduct extraordinary reviews upon the occurrence of certain events such as unusual trading activity or performance.

Reports shall be sent to each client on a quarterly basis. Should a client request reports to be sent more frequently, TDAM shall comply with such request. Reports shall detail profits and losses for each client account, disbursements made from the account, and fee payments made to TDAM. When a prime brokerage arrangement exists, the prime broker sends a quarterly statement directly to each client with a copy to TDAM.

Upon positive written consent, a separate account customer may suppress the mailing of separate trade confirmations for their account over which TDC is exercising investment discretion. In lieu of separate trade confirmations, information from the confirmation will be reported at least quarterly via the brokerage statement. The main transactional fee (shown as %commission+ on the brokerage statement) will be listed with the associated transaction and any additional transactional fees (such as the \$5 handling/service fee) will be found along with other important disclosures on the statement. The handling/service fee and section 31 fee are not itemized in the transactions section of the statement. The %amount+ of the transaction on the statement is the net transaction amount including all fees (such as the commission, handling/service fee, section 31 fees) associated with that transaction. Clients can obtain upon request to TDC and at no additional charge, information regarding any trade confirmation in their account, and a paper or electronic copy of any trade confirmation. Upon written request TDC can make available to the client all confirmations and statements online. Certain transactions such as municipal bonds and principal transactions will generate a trade confirmation regardless of whether the client has chosen to suppress the mailing of confirmations. Positive consent for suppression of trade confirmations is made through the Investment Advisory Agreement. Clients can rescind this instruction to discontinue mailing of trade confirmations at any time. Suppression of confirmations is not a requirement in order to enter into or continue to have an account with TDC in which the firm exercises investment discretion. Clients do not pay different fees whether or not they suppress trade confirmations.



## Item 14 – Client Referrals and Other Compensation

TDAM receives no compensation for client referrals other than disclosed transactional or distribution fees from managed products. TDAM Investment Executives may solicit referrals from existing clients. Although Investment Executives do not pay specifically for client referrals, in order to build relationships with their clients, Investment Executives may provide clients with meals, entertainment, or modest gifts. Such gifts or entertainment may be considered an indirect form of compensation for client referrals.

Like many securities firms, TDC may receive payment from third parties whose products we distribute, including mutual fund companies, money market funds and insurance companies. Payments from mutual fund companies, money market fund, and insurance companies may include sales loads, rule 12b-1 fees, sub-transfer agent fees for maintaining customer account information and providing other administrative services for the mutual funds, shareholder account fees and networking fees and reimbursements for education, marketing support and training related expenses. In addition, TDC has entered into a distribution assistance arrangement with the advisor and distributor of the money market funds used for cash management services. Clients should also refer to the prospectuses and Statements of Additional Information of the mutual funds, money market funds, and insurance products in which they invest for further information regarding such payments. TDC also may receive a financial benefit from the difference between the firm's cost of funds and the rate lent for purposes of margin debits through a margin debit participation program with our clearing firm Pershing, LLC. This rate can vary depending on margin rates set by the marketplace, the Pershing base lending rate set by our clearing firm, Pershing, LLC, the aggregate amount of the margin debit balance and potentially other factors. TDC believes that all payments are in accordance with industry rules and regulations currently in effect. TDC may receive a portion of some account maintenance or annual fees charged by Pershing LLC under certain circumstances.

TDC may receive a selling concession when purchasing new issues, or other underwritings, for accounts. The selling concession is a separate payment made directly from the issuer to TDC and is not added or related to the maximum advisory fee schedule (item 5 above) paid by the Client. The individual advisor, in his capacity as a registered representative, would receive a portion of this concession.

TDC Investment Executives receive a portion of the client's fees (transactional fees, management fees, performance fees) as a result of the client's participation in our investment advisory programs. The amount of this compensation may be more than what the Investment Executive would receive if the client participated in other programs. Therefore, they may have an incentive to recommend TDAM's advisory programs over other investment options.

TDAM may at times sponsor and pay for meals, outings, educational seminars and training programs for its employees in connection with their promotion of investment advisory services. In addition TDAM and its employees may at times make donations to a variety of charitable organizations or entities that are affiliated with clients of TDAM or its employees.

TDAM employees may occasionally attend conferences at which exhibitors have booths. Employees may accept trinkets at conference exhibit booths as long as the trinkets are less than \$50 in value. Employees may also receive gift baskets or similar items from other professionals, as long as they are less than \$50 in value. To do otherwise would appear ungrateful.

TDAM may enter into written solicitation agreements to compensate persons either independent of TDAM or employees of TDAM (~~to~~ Solicitors~~+~~) for client referrals in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940. If a referred client establishes an investment advisory relationship with TDAM, the Solicitor will receive a referral fee of a negotiated percentage of the quarterly investment advisory fees paid by the client for the duration of the investment advisory relationship. This referral fee will be paid out of the total advisory fees collected from clients. TDAM will not charge an additional fee for advisory services to pay a Solicitor. There is no difference in the advisory fee schedule for clients who have been solicited and those who have not been solicited as a result of these solicitation agreements. Clients that are referred by a Solicitor will receive a copy of the Solicitor's written disclosure document that describes the nature of the relationship between TDAM and the Solicitor, in addition to TDAM's Form ADV Part 2.

## **Item 15 – Custody**

All TDAM client assets are held at our custodian, Pershing LLC who sends statements, not less than quarterly, directly to TDAM clients without our involvement. You should carefully review these statements in their entirety. The statements contain important information about the activity in your account, the value of your account and the fees associated with transactions, among other items. You should compare any correspondence generated by TDAM concerning your account with the statement provided by Pershing, LLC.

## **Item 16 – Investment Discretion**

Once an executed Investment Advisory Agreement has been approved by TDAM, there are no limitations from the client on TDAM's authorization to buy or sell securities on client's behalf, to determine the amount of securities to be bought or sold on client's behalf and to determine what transaction fee rate shall be paid on client's behalf. The client will pay the then current transaction fees charged by TDAM. Any limitations to this discretionary authority requested by the client must be submitted in writing and may be amended by the client in writing at any time.

## **Item 17 – Voting Client Securities**

By its proxy policy, TDAM is forbidden from voting proxies for clients.

TDAM generally is not able to advise or act on behalf of its clients in legal proceedings, including class actions or bankruptcies, involving securities purchased or held in client's accounts. Our custodian, Pershing LLC, sends all legal notices, including proxies, directly to the owners of each account. To the extent that TDAM receives notice of class actions or bankruptcies of securities purchased or held in client's accounts, it will forward such notices to the client's custodian for delivery directly to the affected clients.

## **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about TDAM's financial condition if we require prepayment of advisory fees, which we do not. TDAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.