



## **Advisor Access from Scottrade Investment Management™**

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### **Form ADV, Part 2A**

Scottrade Investment Management  
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This brochure provides information about the qualifications and business practices of Scottrade Investment Management relating to the Advisor Access referral service. If you have any questions about the contents of this brochure, please contact us at 855-327-2253. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

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

November 21, 2014

**Item 1: Cover Page**

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**Item 2: Material Changes**

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This brochure replaces the previous version which was dated May 19, 2014. There have been no material updates to this brochure since the filing of Scottrade Investment Management's initial brochure on February 10, 2014.

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#### Item 4: Advisory Business

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Scottrade Investment Management (“SIM,” “we,” “us,” or “our”) is a wholly-owned subsidiary of Scottrade Financial Services, Inc. (“SFSI”), registered as a corporation with the State of Delaware. SIM is affiliated with Scottrade, Inc. (“Scottrade”), an Arizona corporation that has been registered as a broker-dealer since 1980. Scottrade is a financial services firm that provides brokerage products and services to individual investors through an online platform and branch network.

Advisor Access from Scottrade Investment Management (“Advisor Access” or the “Program”) is a referral service that is designed to provide Scottrade’s retail brokerage clients or prospective brokerage clients (“Clients,” “you,” or “your”) with access to independent investment advisors (“Advisors”). Through Advisor Access, SIM introduces Clients to Advisors offering investment management and financial planning services. This disclosure brochure (“Brochure”) provides important information about Advisor Access and our services and business practices.

SIM performs an initial screening of each of the Advisors participating in Advisor Access to evaluate whether they meet SIM’s eligibility criteria for participation in the referral program. However, SIM’s review is not a substitute for each Client’s own independent decision as to whether to hire an Advisor. The Advisors work independently and are not employees of, nor affiliated with, SIM, Scottrade, or SFSI. Participation in Advisor Access should not be construed as an endorsement of or guarantee by SIM or its affiliates of the services provided by any Advisor. Clients are free to select an Advisor outside of Advisor Access to provide investment management or financial planning services.

In addition to Advisor Access, SIM also offers Guidance Solutions from Scottrade Investment Management™ (“Guidance Solutions”), which is an investment advisory program sponsored by SIM that provides advice and discretionary management by investing Client assets in a portfolio of mutual funds and/or exchange-traded funds selected by third-party investment managers or strategists. More information about Guidance Solutions is contained in Appendix 1 to

SIM’s Form ADV, Part 2A, which is available through the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### **Advisor Access Overview**

SIM will assist you in identifying one or more Advisors whose services may be consistent with your investment needs by providing you with information for your analysis and evaluation. For each referred Advisor, SIM will provide:

- An Advisor Profile that provides general information about the firm and its investment management or financial planning services.
- Part 2 of the Advisor’s Form ADV or equivalent brochure, which provides detailed information about the Advisor’s business practices, fees, conflicts of interest and disciplinary information and that of certain of its advisory personnel. Please read the Advisor’s Form ADV carefully before you enter into an investment advisory agreement with the Advisor.
- A written Disclosure and Acknowledgement statement that describes our relationship with the Advisor and the compensation that SIM receives from the Advisor, among other things (“Disclosure Statement”). In order to participate in Advisor Access, you must sign and return the Disclosure Statement.
- A copy of this Brochure and Form ADV, Part 2B (brochure supplements) for the relevant SIM employees.

The services provided by SIM through Advisor Access are limited to introducing Clients to Advisors. It is your sole decision to select an Advisor referred to you through Advisor Access. To assist you in making this decision, we recommend that you review the materials that SIM provides and interview the Advisor to discuss its qualifications and services. Based on this information, you should determine whether the services the Advisor provides match your investment needs. If you decide to engage an

Advisor, you will enter into an advisory agreement with that Advisor.

If you determine that an Advisor does not meet your investment needs, and you would like to pursue the services of another participating Advisor, SIM will provide you with names and related information for one or more additional Advisors.

SIM is not responsible for evaluating, monitoring or overseeing an Advisor's management of Client accounts, any financial planning services provided by an Advisor to a Client or the Advisor's investment performance or service levels. Once you have selected an Advisor it is your responsibility to monitor your Advisor's performance.

### ***Relationship with Your Advisor***

If you should decide to engage an Advisor referred to you by SIM through Advisor Access, your relationship with that Advisor is separate and apart from any relationship you have with SIM. Any services you engage an Advisor to provide will be governed by an agreement between you and your Advisor. You should carefully review the investment advisory agreement and any additional information provided by the Advisor to ensure that you understand the nature and terms of your relationship. Neither SIM nor Scottrade is a party to the advisory agreement between you and your Advisor.

The Advisor that you select is not an employee or agent of SIM or its affiliates, nor is it affiliated with or controlled by, or under common control with, SIM or its affiliates. Each Advisor participating in Advisor Access is a separate, independent business. Any contrary representation by an Advisor, either orally or written, is unauthorized and does not in any way alter the relationship between the Advisor and SIM.

Any tax, estate planning, accounting, financial planning, legal or other advice or services provided to you by the Advisor is beyond the scope of Advisor Access. SIM makes no representation regarding the Advisor's ability to perform any services beyond traditional investment management and financial planning services. This also extends to any other third

parties your Advisor may engage to provide services or refer you to.

SIM will gather information from you related to your investment objective, annual income, liquid net worth, total net worth, federal tax rate percentage, age, investment knowledge, investment experience, occupation, number of dependents and other information about you and your accounts as part of the referral process. This information will only be shared by SIM with an Advisor with your consent. Each Advisor should be bound by its privacy policy and procedures, which should be provided to you at the time of entering into an agreement with the Advisor.

### ***Participating Advisor Eligibility Criteria***

To participate in Advisor Access, an Advisor must meet certain minimum eligibility criteria established by SIM. Scottrade may, without notice to you, change the eligibility criteria for Advisors. We also reserve the right to modify or waive the established criteria for Advisors on a case-by-case basis. However, participation in Advisor Access is not open to any and all investment advisors that satisfy the eligibility criteria described below.

An Advisor's participation in Advisor Access should not be construed as an endorsement of or guarantee by SIM or its affiliates of the services provided by any Advisor, nor are SIM and its affiliates responsible for the investment advice provided by participating Advisors.

SIM's minimum eligibility criteria include the following:

- **Assets Under Management.** An Advisor generally must have at least \$150 million in assets under management upon commencing participation in Advisor Access.
- **Fee-Based Compensation.** An Advisor must provide predominantly fee-based (as opposed to commission-based) investment advisory services. The Advisor's compensation for any advisory services, including financial planning services, must be based on assets under management or consist of a flat fee or hourly consultation fee.

- **Education and Investment Experience.** An Advisor must have investment and supervisory personnel who hold appropriate professional designations and five (5) to ten (10) years' experience providing financial planning services or managing investments in securities, or supervising personnel engaged in those activities.
- **Licensing and Registration.** An Advisor must be registered as an investment advisor with the SEC or be a financial institution that is registered with a state regulatory authority.

Some investment advisors use third-party investment advisors or other service providers for some or all of their clients' investment and account servicing needs. SIM does not undertake any duty to evaluate any such third parties and has no responsibility for them or their services. You and your Advisor have the sole responsibility for evaluating and monitoring any such third parties.

An Advisor may terminate its participation in Advisor Access at any time by giving SIM written notice. We may also terminate an Advisor's participation in Advisor Access at any time on written notice to the Advisor. SIM is not obligated to notify you if your Advisor is no longer part of Advisor Access.

### ***Conflicts of Interest Associated with Participation in Advisor Access***

Participating Advisors are required to custody client assets with Scottrade and we expect that a substantial amount of brokerage transactions for Clients of participating Advisors will be effected through Scottrade. Scottrade provides trading, technology, research, administrative, and other support and services to independent investment advisors whose Clients' assets are held in custody with Scottrade. SIM will take into consideration the nature and size of any such existing or prospective business relationship in determining whether to add an Advisor to Advisor Access. Accordingly, an investment advisor that otherwise meets the minimum eligibility criteria may be selected for participation in Advisor Access based on the current or expected amount

and profitability to Scottrade of the assets in, and trades placed for, the investment advisor's Clients' accounts maintained at Scottrade. In addition, SIM may require an investment advisor to maintain a minimum amount of assets at Scottrade to be considered for participation in Advisor Access.

### ***Important Information for Assets Subject to ERISA and/or the Internal Revenue Code***

If you are investing assets of an employee benefit plan ("Plan") subject to Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") and/or Section 4975 of the Internal Revenue Code, including assets held in individual Retirement Accounts ("IRAs"), Keogh plans, and other similar accounts, please be aware that you are solely responsible for deciding to participate in Advisor Access and for selecting the Advisor for your Plan or account. SIM will not make these important decisions for you nor will SIM act as a fiduciary in recommending an Advisor for your Plan or account. Moreover, it is not intended and SIM will not act as either an "investment manager" or a "fiduciary" within the meaning of ERISA with respect to your account nor the services provided under Advisor Access. Accordingly, under Advisor Access SIM will not render, and you should not expect to receive, investment advice intended to serve as the primary basis for your investment decisions. Rather, under Advisor Access SIM will only provide information and education that is intended to aid you to independently determine whether one or more Advisors are appropriate for your Plan or account.

## **Item 5: Fees and Compensation**

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### ***Fees Paid to SIM***

SIM does not charge Clients a direct fee for any referrals, materials or assistance SIM and its personnel provide to you in connection with introducing you to Advisors or otherwise under Advisor Access. However, you will be asked to sign a Disclosure and Acknowledge Statement confirming your understanding of the compensation arrangements between SIM and your Advisor. Specifically, SIM will receive referral fees that are paid directly to SIM by your Advisor. SIM reserves the right to waive or reduce these referral fees in its sole discretion.

Under the current fee structure, your Advisor will pay SIM an annual ongoing referral fee of 25% of the advisory fees you pay to your Advisor, with a minimum of 12 basis points of the assets managed by the Advisor on your behalf on an ongoing basis. In addition, Advisor will pay SIM an annual fee of \$35,000 for the right to participate in the Program (the "Participation Fee," and together with the Referral Fee, the "Fees"). The annual Participation Fee is satisfied once an Advisor's Referral Fees exceed the \$35,000 threshold within a fiscal year. Advisor will continue to pay to SIM the Referral Fee so long as any Clients retain Advisor for services, unless such payments are not permitted by applicable law. If after entering into a client relationship with Advisor, Client transfers its assets held at Scottrade to another custodian, Advisor will pay SIM a one-time fee of 75 basis points of the average daily balance of Client assets managed by Advisor during the twelve (12) months preceding the date of termination. The actual fees paid by your Advisor to SIM should be disclosed in the Advisor's Form ADV Part 2.

Advisors will be required to continue to pay SIM fees in accordance with the terms of their agreements with SIM even after the termination of their agreements with SIM as long as you remain a Client of the Advisor.

It is highly likely that your Advisor will use Scottrade to execute your securities transactions, which will generate brokerage commissions and other revenues for Scottrade and its affiliates in connection with your trading activity. Scottrade's fees for effecting securities transactions in your account are in addition to the fees paid by your Advisor for participation in Advisor Access. Scottrade may also receive 12b-1 fees and recordkeeping, shareholder communication and other administrative services fees collected by its clearing firm that are attributable to the assets managed by your Advisor.

### ***Fees You Pay Your Advisor***

You will pay fees to your Advisor in accordance with the terms and conditions agreed to between you and your Advisor. Your Advisor may charge you fees based on a percentage of your assets under management with the Advisor, a fixed fee, or a fee based on an hourly rate. In certain cases,

you may also be charged a fee based on the capital appreciation of your assets. Advisory fees may vary according to several factors, including, but not limited to, the account size, type and servicing requirements. Advisors participating in Advisor Access have agreed not to charge Clients higher fees than they would charge other clients with similar portfolios who are not referred to them through Advisor Access. For a description of the fees charged by a particular Advisor, please refer to the Form ADV Part 2A of that specific Advisor which is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Item 6: Performance-Based Fees & Side-by-Side Management**

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SIM does not receive performance-based fees or participate in side-by-side management with respect to Advisor Access.

### **Item 7: Types of Clients**

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Advisor Access is available to Clients who hold, or will hold, Scottrade brokerage accounts. Clients may include individuals, institutions, pension plans, trusts, estates, charitable organizations, corporations, and other entities other than government entities.

Advisor Access is generally appropriate for Clients seeking an Advisor who can provide a range of advisory services, including discretionary management and financial planning. SIM currently requires its associates to refer only those Clients who plan to invest at least \$350,000 within six months of their referral through Advisor Access. This minimum amount may be less than or exceed the Advisor's own minimum requirement for accepting new clients. An Advisor may require that you commit a higher minimum amount of funds to their management before agreeing to manage your account.

### **Item 8: Methods of Analysis, Investment Strategies & Risk of Loss**

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Advisor Access is a referral service that provides information about selected independent investment advisors to Clients electing to participate in Advisor Access. SIM will assist you in selecting an Advisor that may meet your

investment needs by providing you with information for your analysis and evaluation. It is your sole decision to select an Advisor referred to you through Advisor Access, grant an Advisor discretionary authority over your assets or obtain financial planning services from an Advisor, and you bear any risk of loss. SIM will not provide investment advice to you in connection with your assets under management with an Advisor.

There are risks associated with investing with an Advisor, including the possible loss of principal. You should ask your Advisor about investment risks and review Item 8 of Part 2A of the Advisor's Form ADV.

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**Item 9: Disciplinary Information**

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Neither SIM nor its management persons have been subject to any legal or disciplinary events that are required to be disclosed.

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**Item 10: Other Financial Industry Activities and Affiliations**

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SIM is a wholly owned subsidiary of SFSI. Scottrade Bank and Scottrade are also wholly-owned by SFSI. Scottrade Bank, a federal savings bank, offers retail banking products to Scottrade brokerage clients who may also be Clients of the Program. Scottrade Bank is not involved in SIM's advisory business in any capacity.

Scottrade is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority ("FINRA"). Trade execution and custody services for the Program are provided by Scottrade. When you use Scottrade's services, we and/or our affiliates, including Scottrade, will receive fees and compensation. For a more detailed discussion of Scottrade and its relationship to SIM as it relates to Advisor Access, please see *Brokerage Practices* in Item 12.

Certain current or former associates of Scottrade may serve as officers or directors of SIM. Such persons may be registered and hold brokerage licenses with FINRA, to the extent necessary or appropriate to perform their responsibilities to Scottrade. In relation to their positions with

Scottrade, these persons may receive compensation based, in part, on the profitability of Scottrade. Consequently, in carrying out their roles at SIM, these persons may be subject to conflicts of interest due to their financial interest in both Scottrade and SIM. We address these conflicts of interest through disclosure in this brochure. In addition, we have adopted policies and procedures requiring that all SIM employees act in the best interest of clients, and provide advice and services that are consistent with client instructions and pertinent client information, including investment objectives and risk tolerance.

SIM's affiliates may perform other services for you outside Advisor Access, including the execution of brokerage transactions, retail distribution of mutual funds and equities, and banking services. Any services provided by a SIM affiliate will be under a separate agreement with that specific entity.

For a more detailed discussion of conflicts of interest involving the Advisors, please see *Conflicts of Interest Associated with Participation in Advisor Access* in Item 4 and *Brokerage Practices* in Item 12.

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**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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SIM has established a Code of Ethics that sets out the standards of conduct expected of our associates, including officers and directors. The Code of Ethics reflects SIM's focus on conducting business with the highest ethical standards. SIM requires all associates to disclose their personal brokerage account information for review. Our associates are also required to report violations, or potential violations, of the Code of Ethics for review. The main tenants of the SIM Code of Ethics are to:

- Act with integrity and in an ethical manner at all times with all of our Clients;
- Place our Clients' interests first;
- Conduct personal trading in compliance with our Code of Ethics and avoid potential conflicts of interest;
- Comply with applicable federal securities laws;

- Refrain from improperly using any material nonpublic information they may receive as a result of their employment with SIM; and
- Prepare and maintain accurate business records.

Additionally, our associates: (1) are prohibited from buying securities during an initial public offering; and (2) are prohibited from buying securities in a private placement unless they have prior approval.

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### **Item 12: Brokerage Practices**

SIM has no discretionary authority or control with respect to a Scottrade brokerage account opened to custody assets invested with an Advisor through Advisor Access, and Scottrade will only execute those transactions you authorize your Advisor to conduct. Scottrade acts solely as a broker-dealer and not as an investment advisor at any time. Neither SIM nor Scottrade will provide investment advice or recommendations to buy or sell securities within Advisor Access.

It is highly likely that your Advisor will use Scottrade to execute your securities transactions, which will generate brokerage commissions and other revenues for Scottrade and its affiliates in connection with your trading activity. You may direct your Advisor to use any brokerage firm of your choice. Scottrade reserves the right to charge you a fee for clearance and settlement of any trade held in custody by Scottrade that is executed through a brokerage firm other than Scottrade.

You agree to pay, and are legally responsible for, any charges for any securities transactions made by your Advisor in your account through Scottrade including brokerage commissions on agency transactions, and markups or markdowns on transactions for your account in which Scottrade acts as principal for its own account. From time to time, Scottrade may negotiate fee schedules with your Advisor that apply to your account. Fees and commissions for brokerage services through a Scottrade account are generally due at the time of each transaction.

Scottrade provides trading, technology, research, administrative, and other support and services to independent investment advisors whose Clients' assets are held in custody with Scottrade. These support services provide an incentive for your Advisor to recommend Scottrade for custody and brokerage services. The benefits received by your Advisor may depend on the amount of brokerage transactions directed to Scottrade. As part of its fiduciary duties to you, your Advisor is expected to endeavor at all times to put your interests first. You should be aware, however, that the receipt of economic benefits by your Advisor creates a potential conflict of interest. Please review the Advisor's Form ADV Part 2 for additional information about specific conflicts of interest.

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### **Item 13: Review of Accounts**

The services provided by SIM to Clients through Advisor Access provide referrals only and once a referral is made, there is no ongoing relationship between SIM and Client. SIM is not responsible for evaluating, monitoring or overseeing an Advisor's management of Client accounts, any financial planning services provided by an Advisor to a Client or the Advisor's investment performance or service levels. Once you have selected an Advisor it is your responsibility to monitor your Advisor's performance. You can monitor performance in a variety of ways, including promptly reviewing your account statements and trade confirmations, meeting periodically with your Advisor to discuss your investments and any financial planning objectives, and withdrawing your Advisor's discretionary or other authority if you are dissatisfied with your Advisor.

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

SIM may offer incentive programs to compensate employees of Scottrade for attracting new assets and Clients to Advisor Access and generally promoting SIM's investment advisory services. Specifically, employees of Scottrade will generally be paid a nominal fee for introducing a Client to Advisor Access or Guidance Solutions. In either instance the Scottrade employee making the introduction will receive the same nominal fee



regardless of whether the Client selects Advisor Access or Guidance Solutions. Although the Scottrade employee will receive the same incentive compensation regardless of whether a Client selects Advisor Access or Guidance Solutions, depending on the profitability of the two programs, Scottrade and its employees may have an indirect financial incentive to introduce a Client to one program over the other. Given that both programs are newly created, SIM is not currently aware whether either program will be more profitable to SIM. The decision of whether to participate in Advisor Access or Guidance Solutions is solely that of the Client.

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**Item 15: Custody**

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SIM requires Advisors participating in Advisor Access to custody Client assets at Scottrade, a registered broker-dealer and qualified custodian, as defined by the Investment Advisers Act of 1940. You can choose to authorize Scottrade to deduct your Advisor's investment advisory fees and expenses from the assets held in custody at Scottrade and send them directly to your Advisor. Scottrade will provide you with a monthly account statement for each account managed by your Advisor as long as the SIM account holds a position or balance. You should review your account statement carefully. Your Advisor will also receive a copy of this account statement.

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**Item 16: Investment Discretion**

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SIM does not have or accept discretionary authority to manage accounts on Clients' behalf as part of Advisor Access.

It is your sole decision to select an Advisor referred to you, grant an Advisor discretionary authority over your assets, or obtain financial planning services from an Advisor. The attendance of a SIM or Scottrade employee at any meeting with an Advisor does not alter in any way your sole responsibility for selecting and monitoring your Advisor.

SIM has no discretionary authority or control with respect to your account, and Scottrade will execute transactions as directed by your Advisor. Scottrade acts solely as a broker-dealer and not as an investment advisor at any time. Neither SIM nor Scottrade will provide investment advice or recommendations to buy or sell securities in connection with your assets under management with an Advisor through Advisor Access.

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**Item 17: Voting Client Securities**

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SIM does not have investment discretion or the discretion to vote client securities for any Client account in connection with the Advisor Access program.

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**Item 18: Financial Information**

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This item is not applicable to SIM. SIM does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to Clients.