

# **DISCLOSURE BROCHURE**

**(FORM ADV, PART 2A)**

**AMERIVEST INVESTMENT MANAGEMENT, LLC**

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This brochure provides prospective clients with information about Amerivest Investment Management, LLC ("Amerivest") that should be considered before or at the time of obtaining advisory services from Amerivest. If you have any questions about the contents of this brochure, please contact us at 888-310-7921. 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. Please be advised that Amerivest will not assign its duties to you to any other party without your consent.

Additional information about Amerivest is also available on the SEC's Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).  
The IARD/CRD number for Amerivest is 111514.

Amerivest is registered with the United States Securities and Exchange Commission as a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Please print a copy of this brochure and retain it for your future reference.

Amerivest Investment Management, LLC  
October 2011

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## Advisory Business

Amerivest Investment Management, LLC ("Amerivest") provides a variety of goal-planning and advisory services to clients. Amerivest Self-Directed and Target Date Portfolios ("Online Amerivest") offers general goal-planning services as well as asset allocation models involving Exchange Traded Funds ("ETFs") along with cash and cash alternatives on a non-discretionary basis. Amerivest recommends specific securities to clients as part of the asset allocation models recommended. Amerivest also offers the Amerivest Mutual Fund, ETF and Supplemental Income Portfolios services ("Amerivest Portfolios") with asset allocation involving ETFs or mutual funds, along with cash and cash alternatives. The Amerivest Portfolios are provided only on a discretionary basis. Online Amerivest and Amerivest Portfolios are described in detail below.

Amerivest was formed in November 1997 as PFN Investment Management, LLC and in April 2003 changed its name to Amerivest Investment Management, LLC. Amerivest is wholly owned by Financial Passport, Inc., which is wholly owned by TD Ameritrade Online Holdings Corp. TD Ameritrade Online Holdings Corp. is a wholly owned subsidiary of TD Ameritrade Holding Corporation, a publicly traded company. Approximately 45% of TD Ameritrade Holding Corporation is owned by Toronto-Dominion Bank.

### **A. SERVICES PROVIDED:**

#### **i. Online Amerivest – General Description**

As of October 2011, Amerivest will generally discontinue offering Online Amerivest to new and prospective clients which includes the Self-Directed and Target Date Portfolios to new retail clients. Existing Online Amerivest clients are not affected by this change and will continue to receive the customary Online Amerivest service via the Internet as the primary channel of interaction with Amerivest. In addition, Amerivest for RIAs available to TD Ameritrade Institutional clients will not be affected by this change and clients will continue to receive the customary service through their independent Registered Investment Advisor.

The Online Amerivest services are non-discretionary and are provided directly to individual clients through online consultations that involve neither the supervision of investments, nor the continuous management of investment advisory accounts. The online Amerivest Portfolios provided to retail clients of TD Ameritrade, Inc. ("TD Ameritrade") are referred to as Self-Directed Portfolios. Online Amerivest also provides a Target Date Portfolio service. Both the Self-Directed Amerivest and the Amerivest Target Date Portfolios services are described below in greater detail.

The Online Amerivest service known as Self-Directed Portfolios is also provided to independent Registered Investment Advisors ("RIAs"), which are clients of TD Ameritrade Institutional on a sub-advisory basis. (Neither Amerivest nor its affiliate, TD Ameritrade, take any responsibility for the RIAs investment decisions or the suitability of the investments for the RIAs clients.)

Online Amerivest portfolios are for investors who:

- (i) are self-directed, comfortable with an online service;
- (ii) expect to maintain their portfolio for the duration to their selected target year rather than cash out along the way;
- (iii) wish to have impersonal asset allocation recommendations made by an investment advisor both at the outset and from time to time thereafter;
- (iv) wish to maintain control over their portfolio and make the buy and sell decisions;
- (v) are willing to accept a portfolio risk profile that generally starts out aggressively (with the potential for greater volatility) and steps down in risk level over time; and
- (vi) will invest a minimum of \$25,000 at the outset.

Amerivest recommends asset allocation models utilizing specific index products (typically ETFs) on the Online Amerivest platform. The Online Amerivest service involves the use of a third-party investment advisor as a consultant to Amerivest. That consultant is Morningstar Associates, LLC ("Morningstar Associates"). Under an agreement, Morningstar Associates will provide asset allocation and investment selection services to Amerivest for a fee. In so doing, Morningstar Associates will not act in the capacity of advisor to individual investors.

Morningstar Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest the asset allocations utilized in the Online Amerivest service. The asset allocation methodology is based on risk and return parameters relying on historic, current and forecasted data and on implied risk and return estimates. Morningstar Associates will reassess the asset allocations at least annually, or more frequently, as warranted by market conditions or different portfolio strategies. This evaluation may lead to revisions in Amerivest's recommended asset allocations. In addition, the recommended asset allocation for any particular client will shift over time as a function of the client approaching his or her goal.

Morningstar Associates will use its proprietary qualitative and quantitative methodology to recommend to Amerivest ETFs that may be used in the portfolios. Morningstar Associates will select ETFs from the universe of available options made available through TD Ameritrade. It will use a scoring methodology to determine the degree to which an ETF tracks to an established index or composite of indexes, and thus will enable an investor to gain exposure to that asset class. The ETFs are ranked and then reviewed by members of the Morningstar Associates investment team. Morningstar Associates will revisit its methodology at least annually to ensure it is performing adequately.

Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve verifying the inputs and risk analysis to validate that the asset allocation and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly and because these are non-discretionary portfolios the client is responsible for implementing these changes.

In addition to the recommended ETFs, Amerivest will recommend maintenance of a relatively small cash amount, which generally will be the greater of 1% to 3% of the total portfolio or a minimum cash buffer of \$300. The buffer ensures the availability of cash for payment of Amerivest's fee and provides liquidity to cover potential price

changes in market orders. The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account provided by TD Bank, N.A. and TD Bank USA, N.A. The banks are affiliated with TD Ameritrade, Inc. and Amerivest Investment Management, LLC through their respective parent companies. Amerivest clients who open a taxable TD Ameritrade Investing Account will also have the option to select TD Ameritrade Cash (protected by the Securities Investor Protection Corporation) as a cash sweep option. The cash sweep option allows available cash to be swept into a sweep vehicle pending investing of the cash. The cash will be automatically invested or deposited in the designated sweep vehicle according to a sweep schedule determined by the client. For more information about the sweep program, please see the TD Ameritrade Client Agreement. Please also see response below at *Other Financial Industry Activities and Affiliations* of this disclosure brochure.

From time to time, Amerivest will recommend portfolio reallocations designed to reduce the portfolio risk profile as the goal date becomes closer. Clients are able to view the recommended allocations by logging in to their TD Ameritrade Investing Account. Clients who enter a relatively short time horizon will be recommended a more conservative portfolio regardless of their risk tolerance.

Amerivest's recommendations are made without considering potential tax consequences to the client. The client is responsible for any tax liabilities resulting from transactions (including any arising from the addition of assets to, or withdrawal of assets from, the client's account). Amerivest makes no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. Amerivest is unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment. While Amerivest is designed to provide helpful investing guidance, the client must carefully consider the appropriateness of the proposed investments in light of the client's own personal financial circumstances, including cash flow needs, unusual tax circumstances or other complex or subjective concerns. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investing in general, as well as the investments and the overall portfolio composition suggested by Amerivest.

The client is free to accept or reject the Amerivest recommendations.

Online Amerivest advisory service only takes account of the client information received through the interactive software. Broader investment objectives, risk tolerance or overall financial circumstances (including annual income, net worth and other assets) that may be relevant to a client's overall investment program are not factored in or considered in the development of an online Amerivest asset allocation model. In addition, information Amerivest may have, or that Amerivest's affiliates may have, relating to a client's broader investment objectives, risk tolerance or financial circumstances for other accounts or transactions will not be considered in rendering these online Amerivest asset allocation models. For these reasons, it is important for each client using this online service to consider all of his or her own financial circumstances before deciding to invest in accordance with an Amerivest asset allocation model, or make any decisions regarding implementing the model advice.

Each Online Amerivest client reviews the description of the investment recommendations, as well as the chart and table presenting the Amerivest asset allocation guidance. Once a client has reviewed this information, the client may choose to implement the asset allocation recommendations by placing an order through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade, member FINRA/SIPC/NFA, Amerivest's affiliated broker/dealer. (In the case of Amerivest acting as sub-advisor to RIAs, the RIA client's TD Ameritrade account is known as a TD Ameritrade ASA Account, and the transactions must be made in that account.) To the extent that a client decides to implement any Amerivest recommendation through his or her TD Ameritrade brokerage account, TD Ameritrade acts solely as a broker on an unsolicited basis in connection with such transactions and is not acting as an advisor to the client. See response below at *Other Financial Industry Activities and Affiliations* of this disclosure brochure.

Online Amerivest does not exercise any discretion over client assets, and the decision to implement the model recommendations is made exclusively by each client. To the extent that a client decides to implement any Amerivest recommendation through his or her TD Ameritrade brokerage account, TD Ameritrade acts solely as a broker on an unsolicited basis in connection with such transactions, and is not acting as an advisor to the client. The client may also print a copy of the Amerivest asset allocation plan and retain it for future implementation. Amerivest will maintain a copy of the executed plan for its records. A copy of the data used to prepare the guidance is saved whenever transactions are executed at TD Ameritrade, allowing Amerivest to reconstruct the guidance that was given to the client. For each asset class or sub-asset class other than cash, one ETF is selected as the recommended investment. The table that lists these funds is retained and updated by Amerivest. Research pertaining to the fundamental features of each ETF provided to the client is available through easy links on the Web page.

Online Amerivest's portfolio recommendations currently consist of ETFs, with the balance consisting of cash and cash alternatives. Generally, ETFs, or a portfolio of ETFs can provide a diversified portfolio that may limit exposure to large price fluctuations of individual stocks or bonds. ETFs do not provide complete protection from price volatility in the event of broad market declines, however, and in the event of broad market gains, well-selected individual securities may outperform ETFs.

Amerivest provides no advice on securities other than selected ETFs. While TD Ameritrade Investing Accounts can receive cash as well as securities, any ETF purchases associated with the Online Amerivest service must be paid for with cash. To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, the client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from Amerivest. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets, and the client will be unable to invest in a strategy until the incompatible securities are removed from their TD Ameritrade Investing Account. See response below at *Fees and Compensation* of this disclosure brochure.

An Online Amerivest client who has implemented Amerivest's advice through a TD Ameritrade Investing Account (or an RIA client with a TD Ameritrade ASA Account) can view his or her current asset allocation, current asset allocation advice and current holdings at any time, online. As a procedural matter, the Amerivest asset allocation models are evaluated periodically (at a minimum annually) in response to market fluctuations and ETF and index fund performance. In following an Amerivest asset allocation model, clients may review account holdings and rebalance their TD Ameritrade account based on a review of the recommendations at any time through the online service. Online clients are encouraged to review their accounts periodically and to rebalance them annually. If a client effects rebalancing transactions, tax consequences, commissions and other costs may be incurred. All transactions in a TD Ameritrade Investing Account are placed as market orders. TD Ameritrade may also receive payment for order flow. Order flow is the routing of orders to multiple market centers in an effort to obtain best execution. It involves many metrics including price, speed, liquidity, and opportunities for price improvement, to help assure that order flow is directed to markets that provide the best execution for TD Ameritrade clients. A majority of exchanges and market makers provide incentives for brokers to route orders to them. Typically this involves a rebate or payment to the brokers for routing orders to that exchange or market maker. The payment for order flow is used by brokers to offset the costs of doing business. It ultimately helps to reduce the overall cost to clients. Please also see response below at *Other Financial Industry Activities and Affiliations* of this

disclosure brochure.

Without assuming discretion, Amerivest began providing two automatic investment features in October 2005 for its clients with TD Ameritrade Investing Accounts or for RIAs whose clients have TD Ameritrade ASA Accounts. Using these features, such clients or RIAs are able to provide advance instructions for portfolio transactions within narrow parameters. The two features are known as Auto-Invest and Auto-Rebalance. Auto-Invest enables users who deposit cash into their dedicated TD Ameritrade accounts to invest such deposits, as well as other excess cash in their accounts, in shares of the ETFs in their portfolio that are most underweighted from the user's previously selected asset allocation. Auto-Rebalance enables users to periodically (annually, semiannually or quarterly) rebalance the ETF positions in their portfolios to their previously selected asset allocations to minimize portfolio drift. The details of the two features are set forth in the agreements. Those wishing to use them must enter into the appropriate agreement in order to enable the features. It is important to note that as a non-discretionary advisory service, the Auto-Rebalance feature does not automatically reallocate the portfolios to the new portfolio recommendations. The client must review, accept and manually rebalance the portfolio to implement the new portfolio recommendations.

The Online Amerivest service is intended for long-term investing rather than any form of short-term trading. Accordingly, Amerivest reserves the right to impose such restrictions as it may deem necessary or appropriate to discourage or prevent short-term trading activity in connection with its service. Such restrictions could include, without limitation, limiting the number of transactions that can be effected through TD Ameritrade without a commission being charged, imposing diversification requirements as to customized portfolios, and/or limiting rebalancing transactions when there are unsettled positions.

The asset allocation advice provided through Amerivest does not take margin into account. TD Ameritrade Investing Accounts are opened as cash accounts and margin is not available.

To the extent that a client implements the Online Amerivest recommendations through his or her TD Ameritrade brokerage account, Amerivest's affiliate TD Ameritrade may receive commissions as a result. TD Ameritrade is currently not charging commissions on such transactions, however. Qualified TD Ameritrade Investment Consultants can assist in making the availability and nature of the Amerivest service known to potential clients and providing comparative information. They will also be available to discuss the output from the Amerivest interactive software and answer questions about the Amerivest service. Please see response below at *Other Financial Industry Activities and Affiliations* of this disclosure brochure.

#### **a. Self-Directed Amerivest Details**

In Self-Directed Amerivest, the information collected is used by Amerivest to create an individual personal financial profile for the client. Based upon this profile, Amerivest makes a series of goal-planning suggestions and recommends certain types of investment products.

Using the interactive software created by Amerivest, each Online Amerivest Self-Directed client determines the particular investment goal, risk tolerance and time horizon for an account. Clients will also input into the online service information regarding their current funding amount and amount of periodic expected contributions to meet the account-specific goal, as well as frequency and duration of periodic contributions.

The software allows a client to explore different scenarios in connection with a financial goal, risk tolerance, time frame and amount invested. For example, if a client specifies an initial investment amount, and the Amerivest service indicates that a greater amount is likely to be needed in order to reach the specified goal in the specified time period, the client can go back into the software and increase the hypothetical initial investment amount, provide for subsequent investments, reduce the proposed goal amount, extend the specified time period, adjust their risk tolerance or their inflation rate assumption, or even do all six. The Amerivest service is not intended to project or predict the present or future value of actual investments, actual portfolio holdings or actual future income. Rather, it provides a general idea of how a particular mix of asset classes similar to a hypothetical portfolio has performed historically. Past performance is no guarantee of future results, but it may be useful in comparing possible investing strategies over the long term. See response below at *Methods of Analysis, Investment Strategies and Risk of Loss* of this disclosure brochure.

There are 20 models of Amerivest Self-Directed Portfolios, ranging from relatively conservative to relatively aggressive. The 20 models can be grouped into five risk/return categories of four models each. In the order moving from most conservative to most aggressive, the categories are known as Conservative, Moderate, Moderate Growth, Growth and Aggressive. Based on those inputs, Amerivest will select a single portfolio from among the 20 models, determine the appropriate quantities of the securities to be held in the portfolio for the current funding amount, and recommend the specific portfolio positions to the client.

Within each of the five risk/return categories, the four associated models are structured in relation to the amount being invested, with financial levels of (i) \$0.01 to \$24,999.99, (ii) \$25,000 to \$99,999.99, (iii) \$100,000 to \$499,999.99, and (iv) \$500,000 or more. In general, the larger the amount invested, the greater the number of recommended asset classes or sub-asset classes there will be. The additional asset classes are used to increase diversification and to reduce the standard deviation (risk level) of the portfolio.

As noted above, the 20 models are grouped into five risk/return categories and then structured into four sub-categories in relation to the amount being invested. As a client continues with Amerivest, the amount of client assets invested may change. This can occur for a variety of reasons, including portfolio appreciation or depreciation and client cash deposits or withdrawals. Such changes in the amount invested can lead to a client moving from one of the portfolio asset categories (e.g., \$25,000 to \$99,999.99) to another (e.g., \$100,000 to \$499,999.99). Such an occurrence is classified by Amerivest as a "profile change" and leads to a new Amerivest Self-Directed Portfolio recommendation. Clients are able to view the new recommendation by logging in to their TD Ameritrade Investing Account or by contacting the Amerivest Service Team. The client is free to accept or reject the Amerivest recommendations.

Since June 2005, Self-Directed Amerivest clients and RIAs using the Amerivest for RIAs service have had the ability to create portfolios for themselves that deviate from those recommended by Amerivest. The "customization" feature allows Amerivest clients to override Amerivest's recommended asset allocations and choose their own allocations. This feature is intended to let clients take full account of their individual circumstances in connection with making their long-term asset allocations. Clients are able to use alternate ETFs from Amerivest's menu to implement their chosen allocations. On entering the "Customize Portfolio" feature, online clients see the original Amerivest-recommended asset allocation percentages as static text along with an alternate ETF tab. They are able to select allocation percentages for each of the Amerivest-recommended asset classes or sub-classes different from the originally recommended percentages. This, in turn, will allow for Amerivest's determination of the appropriate number of shares of the client-selected ETF to correspond with the desired allocation percentage. Clients who have established customized portfolios will have a link displayed that will enable them to readily see their then-current Amerivest-recommended portfolio allocation, which they can rebalance at any time. Such clients also have the ability to periodically rebalance their customized portfolios to their own previously chosen allocations based on input from Amerivest. Amerivest cautions clients establishing customized portfolios that they may be making choices that are inconsistent with

their risk tolerance, goals, etc., and disclaims any responsibility as to such portfolios, which are unlikely to be “efficient.” The customization feature is not available for Amerivest Target Date Investment Portfolios.

#### **b. Amerivest Target Date Investment Portfolio Details**

In the Amerivest Target Date Portfolios service, the client is able to make choices more directly in regard to such matters as risk tolerance and time horizon. The client also is presented with basic information, initial composition and expected evolution of the portfolios for the various target dates and can then select the one that most closely approximates the client’s desired investment strategy.

In using the Amerivest Target Date Portfolios service, the client does not go through all the preliminary steps as described above under Self-Directed Amerivest Details. Rather, the client is presented with information about six portfolios that are targeted to the various dates available (2010, 2015, 2020, 2025, 2030, 2040) and selects the portfolio that most closely approximates the client’s desired investment strategy and time frame.

Unlike Amerivest Self-Directed Portfolios, Target Date Portfolios do not have different financial levels. The same number of recommended asset classes or sub-asset classes will be recommended to clients regardless of the amount invested.

From time to time, Amerivest will recommend portfolio reallocations designed to reduce the portfolio risk profile. Clients are able to view the new recommendation by logging on to their TD Ameritrade Investing Account or by contacting the Amerivest Service Team. The client has the final say to accept the recommendation.

#### **c. Amerivest for RIAs Details**

The Online Amerivest service known as Amerivest Self-Directed Portfolios (described above) also is provided to independent Registered Investment Advisors (“RIAs”) who are clients of TD Ameritrade Institutional on a sub-advisory basis. (Neither Amerivest nor its affiliate, TD Ameritrade, takes any responsibility for the RIAs investment decisions or the suitability of the investments for the RIAs clients.)

#### **ii. Amerivest Portfolios – General Description**

In addition to its traditional online services, Amerivest provides an online service known as Amerivest Portfolios to retail clients of TD Ameritrade. The Amerivest Portfolios service is offered only on a discretionary basis that involves the continuous management of investment advisory accounts. As of July 31, 2011, Amerivest was providing discretionary advisory services to clients with approximately \$1,700,000.000 in assets. Amerivest will assume all investment duties with respect to the Amerivest Portfolios recommended in the client’s TD Ameritrade Investing Account and will have discretion with respect to such assets, including the initial allocation and ongoing rebalancing (buy, sell, exchange or otherwise trade) based upon the client’s selected Amerivest Portfolios strategy and according to Amerivest’s investment policy for that strategy. Amerivest does not take discretion over assets that are not compatible or recommended by Amerivest.

As with Self-Directed Portfolios, the Amerivest Portfolios discretionary service involves the use of Morningstar Associates as a consultant to Amerivest.

Amerivest will recommend an appropriate strategy to Amerivest Portfolios clients according to the client’s planned funding, investment objectives, risk tolerance, investment time horizon, age (in certain circumstances), employment status, likelihood of significant withdrawals from the account and any reasonable restrictions (collectively, “Profile Information”). In any case, Amerivest Portfolios clients will either enter their Profile Information online or convey it to a TD Ameritrade Investment Consultants who will help prospects become Amerivest clients. Changes in the client’s Profile Information may result in a new recommended strategy or strategies. Furthermore, clients who enter a relatively short time horizon will receive a relatively conservative portfolio recommendation regardless of their risk tolerance.

If the client proposes to use the Amerivest Portfolios service, the client must authorize Amerivest to exercise discretionary trading authority over the assets dedicated to the client’s Amerivest Portfolios strategy, which includes the initial allocation and ongoing rebalancing and portfolio reallocation. The discretionary authority allows Amerivest to buy, sell or otherwise trade recommended and approved assets in the client’s Amerivest Portfolios strategy without prior client approval of each transaction. Amerivest is not authorized to withdraw cash or securities from the client’s account other than in connection with the payment of Amerivest’s advisory fees as described in the *Fees and Compensation and Custody* sections below.

Amerivest’s recommendations are made without considering potential tax consequences to the client. The client is responsible for any tax liabilities resulting from transactions (including any arising from the addition of assets to or withdrawal of assets from the client’s account). Amerivest makes no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. Amerivest is unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investing in general, as well as the investments and the overall portfolio composition suggested by Amerivest. See response below at *Methods of Analysis, Investment Strategies and Risk of Loss* of this disclosure brochure.

The client will need to open a dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade, member FINRA/SIPC/NFA, Amerivest’s affiliated broker/dealer. Clients will be able to invest in one strategy per account and will retain ownership of all cash and securities in their accounts. To the extent that a client decides to implement any Amerivest recommendation through his or her TD Ameritrade brokerage account, TD Ameritrade acts solely as a broker on an unsolicited basis in connection with such transactions and is not acting as an advisor to the client.

#### **a. Mutual Fund Portfolios Powered by Morningstar Associates Details**

Amerivest Mutual Fund Portfolios Powered by Morningstar Associates is based on the online asset allocations determined by Amerivest and uses mutual funds as the primary investment vehicles. The asset allocations for Amerivest Mutual Fund Portfolios (as well as for Amerivest Self-Directed Portfolios) are based on recommendations from Morningstar Associates and still utilize the same asset allocation models as the highest Amerivest Self-Directed financial level. As with the Amerivest Self-Directed service, the portfolio models are: Conservative, Moderate, Moderate Growth, Growth and Aggressive. Rather than using ETFs as the investment vehicles, the service allocates assets among domestic equity, international, alternative and fixed-income mutual funds. The selected funds are generally no-load or load waived mutual funds. Amerivest Mutual Fund Portfolios positions are intended to be long-term investments (a minimum investment time horizon of one year) consisting primarily of approximately 15-25 mutual funds with the balance consisting of cash and cash alternatives (approximately 1%-3%). The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account. However, the underlying mutual funds may also contain a residual cash position. In addition, the dividends and capital gains from the mutual funds generally will be reinvested; however, clients will have the option to request systematic withdrawals including dividend and interest disbursements, however, requests for systematic withdrawals that may evade principal

will be reviewed and Amerivest reserves the right to not accept the request. Mutual funds can provide a diversified portfolio that may limit exposure to large price fluctuations of individual stocks or bonds. Mutual funds do not provide complete protection from price volatility in the event of broad market declines, however, and individual securities may outperform mutual funds.

Pursuant to an agreement, Morningstar Associates will provide asset allocation and investment selection services for Amerivest. Morningstar Associates provides consulting services to Amerivest but is not acting in the capacity of advisor to individual investors

#### **i. Asset Allocations**

Morningstar Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest Mutual Fund Portfolios the same asset allocations utilized in the Online Amerivest service. The asset allocation methodology is based on risk and return parameters relying on historic, current and forecasted data and on implied risk and return estimates. Morningstar Associates will reassess the asset allocations at least annually or more frequently as warranted by market conditions or different portfolio strategies.

Morningstar Associates will strive to meet the asset allocation targets as closely as possible while accounting for fund-specific attributes; however, the actual allocations will fluctuate. That is because of the nature of mutual fund investment activity and changes in the underlying holdings. In addition, the allocations are subject to change without notice. Morningstar Associates establishes the fund allocations using asset classifications as defined by its parent company, Morningstar, Inc. If alternative classification methods are used, the allocations may not meet the asset allocation targets. Morningstar Associates is not affiliated with Amerivest or TD Ameritrade. Morningstar Associates is a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Morningstar Associates provides consultancy services to Amerivest Investment Management, LLC with respect to the fund allocations for the model portfolios, but is not acting in the capacity of advisor to individual investors. Amerivest, as licensee, will compensate Morningstar Associates (licensor) for its services. See response below at *Methods of Analysis, Investment Strategies and Risk of Loss* of this disclosure brochure.

#### **ii. Mutual Fund Recommendations**

Morningstar Associates will provide Amerivest with initial mutual fund investment recommendations and quarterly strategy evaluations for Amerivest Mutual Fund Portfolios. Morningstar Associates will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide Amerivest with recommended updates to them. Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly. Amerivest will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

Morningstar Associates works with TD Ameritrade to establish a set of criteria for an appropriate fund universe based on the Premier List that Morningstar Associates supplies to TD Ameritrade. The funds on the Premier List are available through TD Ameritrade and are carefully screened and analyzed by Morningstar Associates investment consultants. After the fund universe is defined, Morningstar Associates uses a set of quantitative screens that incorporate risk-adjusted performance, variance of returns, tax efficiency, expenses, style consistency and style purity. Available mutual funds must have also agreed to waive short-term redemption fees and holding period requirements to be considered. This screening process yields two sets of scores: one that shows whether a fund has performed well relative to its peers, and one that ranks funds against their peers within the Premier List universe.

Once the funds have been scored, Morningstar Associates investment consultants specializing in each fund category check the quality and consistency of management and industry events (e.g., potential merger or shifts in personnel) that might impact the fund's performance. In addition, they focus on each of the factors used in the fund-scoring process. The Premier List selections are reevaluated by Morningstar Associates on a regular basis, which could result in occasional changes to this list of funds. Funds could be removed for a number of reasons, including if they experience an investment policy shift, a fee increase, a change in investment staff, or if they have been closed to new investors. If a fund is removed, another fund will be added to the list based on the criteria above.

However, in certain situations, Amerivest and Morningstar Associates reserve the right to choose funds outside of the Premier List. This may occur in situations such as the following: when a fund that is not currently on the Premier List has a higher evaluation criteria score compared to similar funds on the Premier List; when a fund currently used with Amerivest Mutual Fund Portfolios is closed to new investors but Amerivest has an agreement with the closed fund company that allows new Amerivest Mutual Fund Portfolios clients to invest in the closed fund (the closed fund must also have the highest evaluation criteria score compared to other similar funds on the Premier List to remain in the Amerivest Mutual Fund Portfolios service); when the Premier List does not include a fund that appropriately meets the requirements of a particular asset class or sub-class; or when during the evaluation process, it is decided that in the best interest of the clients, a fund outside of the Premier List would be a more appropriate fund selection for clients.

Amerivest may in its discretion accept mutual funds owned by the client into his or her TD Ameritrade Investing Accounts if the mutual funds are compatible with his or her Amerivest Mutual Fund Portfolios strategy. The compatible mutual funds must be identical to the Amerivest Portfolios-recommended mutual funds. In the case of a compatible mutual fund, the mutual fund must be of the same share class as the recommended mutual fund. The client must represent that they have held the compatible mutual fund for at least one year or purchased the fund at net asset value. The limitations on compatible mutual funds contained in this paragraph apply to both initial and subsequent contributions. Amerivest will assume discretion as to the compatible mutual funds, and the client acknowledges that all or a portion of the contributed mutual funds may be redeemed, either initially or during the course of management of his or her strategy. The client further acknowledges that there may be tax implications from the redemption, sale or exchange of the compatible securities and will be responsible for any tax liabilities that result from the transactions. In the event that the redemption (or exchange) of compatible mutual funds would otherwise give rise to contingent deferred sales charge ("CDSC"), the client will be responsible for the CDSC.

#### **iii. Incompatible Securities**

To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, Amerivest will not assume discretion as to such securities. The client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from Amerivest. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets, and the client will be unable to invest in a strategy until the

incompatible securities are removed from their TD Ameritrade Investing Account. See response below at *Fees and Compensation* of this disclosure brochure.

#### **iv. Placement of Trades**

First, the client's TD Ameritrade Investing Account application (including related forms) and required Amerivest paperwork must be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in the amount at or above the required investment minimum, the recommended trades for Amerivest Portfolios will be placed in the account during the next trading window (Amerivest intends to enter the transactions with TD Ameritrade at approximately 1pm CST every business day on which securities markets are open, but reserves the right to change the time when appropriate. The orders will be executed at the end of the day).

However, in certain market conditions such as significant market losses or gains (generally based on important economic news), Amerivest reserves the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and Amerivest determines it is not to the benefit of the clients to enter the orders on an individual account basis.

Since mutual funds trade at a daily NAV, clients participating in the daily trading windows will receive the same average price.

#### **b. Exchange Traded Funds ("ETF") Portfolios Powered by Morningstar Associates Details**

The Amerivest ETF Portfolios are similar to the Amerivest Mutual Fund Portfolios as to asset allocations but use ETFs as the primary investment vehicle. The Amerivest ETF portfolios are designed for clients who are concerned more about costs and tax efficiency than about accessing actively managed mutual funds. ETFs generally seek to match the performance of a specific market index, asset class, or sector. They usually have lower annual expenses than mutual funds as they require little if any manager oversight (passively managed). They generally are more tax-efficient than mutual funds.

Similar to the Amerivest Mutual Fund Portfolios, the Amerivest ETF Portfolios are based on the online asset allocations recommended by Morningstar Associates. The Amerivest ETF Portfolios utilize the same asset allocation models as the highest Self-Directed Amerivest financial level. The portfolio models are called: Conservative, Moderate, Moderate Growth, Growth and Aggressive. In each model, the service allocates assets among domestic equity, international, alternative and fixed-income ETFs. Amerivest ETF Portfolio positions are intended to be long-term investments (a minimum investment time horizon of one year) consisting primarily of approximately 15-25 ETFs with the balance consisting of cash and cash alternatives (approximately 1%-3%). The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account. In addition, the dividends from the ETFs generally will not be reinvested and clients will have the option to request systematic withdrawals including dividend disbursements, however, requests for systematic withdrawals that may evade principal will be reviewed and Amerivest reserves the right to not accept the request. ETFs can provide a diversified portfolio. However, ETFs are subject to risk similar to those of stocks. Portfolio investment returns will fluctuate and are subject to market volatility.

Under an agreement with Morningstar Associates, it will provide asset allocation and investment selection services for Amerivest. Morningstar Associates provides consulting services to Amerivest but is not acting in the capacity of advisor to individual investors.

Morningstar Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest the same asset allocations utilized in the Online Amerivest service. The asset allocation methodology is based on risk and return parameters relying on historic, current and forecasted data and on implied risk and return estimates. Morningstar Associates will reassess the asset allocations at least annually or more frequently as warranted by market conditions or different portfolio strategies.

Morningstar Associates will provide Amerivest with initial ETF recommendations and, at a minimum, annual strategy evaluations including reviewing the asset allocation and ETFs utilized. Morningstar Associates may also review the model portfolios quarterly (or more frequently) as warranted by market conditions and may provide Amerivest with recommended updates to the portfolios. Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly. Amerivest will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

The process Morningstar Associates uses to select ETFs is similar to that of mutual funds. Morningstar Associates analyzes the ETFs available through TD Ameritrade. In making the ETF recommendations, however, Morningstar Associates puts a greater focus on evaluating the particular risk characteristics of ETFs (such as trading volume, liquidity, and discounts). Morningstar Associates also spends time determining how best to combine ETFs, as their strategies can be much more narrowly focused than mutual funds and may offer less asset class coverage. As ETFs that are used in the service are passively managed, manager history is not considered in the evaluations.

Amerivest may in its discretion accept ETFs owned by the client into his or her TD Ameritrade Investing Accounts if the ETFs are compatible with his or her strategy. The compatible ETFs must be identical to the recommended ETFs. Amerivest also reserves the right to accept ETFs that were previously recommended for a Self-Directed or Target Date Amerivest Portfolio in cases when the current Online Amerivest client is switching to the Amerivest ETF Portfolio service. The limitations on compatible and previously recommended ETFs contained in this paragraph apply to both initial and subsequent contributions. Amerivest will assume discretion as to the compatible and previously recommended ETFs, and the client acknowledges that all or a portion of the contributed ETFs may be redeemed, either initially or during the course of management of his or her strategy. The client further acknowledges that there may be tax implications from the redemption, sale or exchange of the securities and will be responsible for any tax liabilities that result from the transactions.

#### **i. Incompatible Securities**

To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, Amerivest will not assume discretion as to such securities. The client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from Amerivest. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets, and the client will be



unable to invest in a strategy until the incompatible securities are removed from their TD Ameritrade Investing Account.

## **ii. Portfolio ETF Transactions**

First, the client's TD Ameritrade Investing Account application (including related forms) and required Amerivest paperwork must be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in the amount at or above the required investment minimum, the recommended trades for Amerivest Portfolios will be placed in the account during the next trading window. (Amerivest intends to enter the transactions with TD Ameritrade at approximately 1 p.m. CST every business day on which securities markets are open, but reserves the right to change the time when appropriate). Amerivest will aggregate orders of recommended purchases and sells and enter the orders with TD Ameritrade (See response below at *Brokerage Practices* of this disclosure brochure.)

However, in certain market conditions such as significant market losses or gains (generally based on important economic news), Amerivest reserves the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and Amerivest determines it is not to the benefit of the clients to enter the orders on an individual account basis. These orders will be aggregated and will receive an average price that is separate from the regular daily trading job.

## **c. Amerivest Supplemental Income Portfolios Powered by Morningstar Associates Details**

The Amerivest Supplemental Income Portfolios Powered by Morningstar Associates service is based on the online asset allocations determined by Amerivest, but substitutes mutual funds for ETFs as the primary investment vehicles. The asset allocations are based on recommendations from Morningstar Associates. Amerivest Supplemental Income Portfolios are generally for more conservative investors who may want supplement income for retirement or other purposes or as a complement to other investment strategies with a secondary goal of growth. Due to the conservative nature of the portfolios, Amerivest has created only two models: Conservative and Moderate. The models will allocate assets among domestic equity, international, alternative and fixed-income mutual funds with a focus on investing in income generating securities. The selected funds are generally no-load mutual funds. Amerivest Supplemental Income Portfolios positions are intended to be long-term investments (a minimum investment time horizon of one year) consisting primarily of approximately 15-20 mutual funds with the balance consisting of cash and cash alternatives (approximately 1%-3%). The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account. However, the underlying mutual funds may also contain a residual cash position. In addition, the dividends and capital gains from the mutual funds generally will be reinvested. However, clients will have the option to request systematic withdrawals including dividend and interest disbursements. Mutual funds can provide a diversified portfolio that may limit exposure to large price fluctuations of individual stocks or bonds. Mutual funds do not provide complete protection from price volatility in the event of broad market declines and individual securities may outperform mutual funds.

Under an agreement with Morningstar Associates, it will provide asset allocation and investment selection services for Amerivest. Morningstar Associates provides consulting services to Amerivest but is not acting in the capacity of advisor to individual investors.

## **i. Asset Allocations**

Morningstar Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest asset allocations for the Supplemental Income Portfolios. The asset allocation methodology is based on risk and return parameters relying on historic, current and forecasted data and on implied risk and return estimates. Morningstar Associates will reassess the asset allocations at least annually or more frequently as warranted by market conditions or different portfolio strategies.

Morningstar Associates will strive to meet the asset allocation targets as closely as possible while accounting for fund-specific attributes; however, the actual allocations will fluctuate. That is because of the nature of mutual fund investment activity and changes in the underlying holdings. In addition, the allocations are subject to change without notice. Morningstar Associates establishes the fund allocations using asset classifications as defined by its parent company, Morningstar, Inc. If alternative classification methods are used, the allocations may not meet the asset allocation targets. Morningstar Associates is not affiliated with Amerivest or TD Ameritrade. Morningstar Associates is a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Morningstar Associates provides advisory services to Amerivest Investment Management, LLC with respect to the fund allocations for the model portfolios, but is not acting in the capacity of advisor to individual investors. Amerivest, as licensee, will compensate Morningstar Associates (licensor) for its services. See response below at *Methods of Analysis, Investment Strategies and Risk of Loss* of this disclosure brochure.

## **ii. Mutual Fund Recommendations**

Morningstar Associates will provide Amerivest with initial mutual fund investment recommendations and quarterly strategy evaluations for Amerivest Supplemental Income Portfolios. Morningstar Associates will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide Amerivest with recommended updates to the portfolios. Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly. Amerivest will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

Morningstar Associates works with TD Ameritrade to establish a set of criteria for an appropriate fund universe based on the Premier List that Morningstar Associates supplies to TD Ameritrade. The funds on the Premier List are available through TD Ameritrade and are carefully screened and analyzed by Morningstar Associates investment consultants. After the fund universe is defined, Morningstar Associates uses a set of quantitative screens that incorporate risk-adjusted performance, variance of returns, tax efficiency, expenses, style consistency and style purity. Available mutual funds must have also agreed to waive short-term redemption fees and holding period requirements to be considered. This screening process yields two sets of scores: one that shows whether a fund has performed well relative to its peers, and one that ranks funds against their peers within the Premier List universe.

Once the funds have been scored, Morningstar Associates investment consultants specializing in each fund category check the quality and consistency of management and industry events (e.g., potential merger or shifts in personnel) that might impact the fund's performance. In addition, they focus on each of the factors used in the fund-scoring process. The Premier List selections are reevaluated by Morningstar Associates on a regular basis, which could result in

occasional changes to this list of funds. Funds could be removed for a number of reasons, including if they experience an investment policy shift, a fee increase, a change in investment staff, or if they have been closed to new investors. If a fund is removed, another fund will be added to the list based on the criteria above.

However, in certain situations, Amerivest and Morningstar Associates reserve the right to choose funds outside of the Premier List. This may occur in situations such as the following: when a fund that is not currently on the Premier List has a higher evaluation criteria score compared to similar funds on the Premier List; when a fund currently used with Amerivest Supplemental Income Portfolios is closed to new investors but Amerivest has an agreement with the closed fund company that allows new Amerivest Supplemental Income Portfolios clients to invest in the closed fund (the closed fund must also have the highest evaluation criteria score compared to other similar funds on the Premier List to remain in the Amerivest Supplemental Income Portfolios service); when the Premier List does not include a fund that appropriately meets the requirements of a particular asset class or sub-class; or when during the evaluation process, it is decided that in the best interest of the clients, a fund outside of the Premier List would be a more appropriate fund selection for clients.

Amerivest may in its discretion accept mutual funds owned by the client into his or her TD Ameritrade Investing Accounts if the mutual funds are compatible with his or her Amerivest Supplemental Income Portfolios strategy. The compatible mutual funds must be identical to the Amerivest Portfolios-recommended mutual funds. In the case of a compatible mutual fund, the mutual fund must be of the same share class as the recommended mutual fund, and the client represents that they have held the compatible mutual fund for at least one year or purchased the fund at net asset value. The limitations on compatible mutual funds contained in this paragraph apply to both initial and subsequent contributions. Amerivest will assume discretion as to the compatible mutual funds, and the client acknowledges that all or a portion of the contributed mutual funds may be redeemed, either initially or during the course of management of his or her strategy. The client further acknowledges that there may be tax implications from the redemption, sale or exchange of the compatible securities and will be responsible for any tax liabilities that result from the transactions, and in the event that the redemption (or exchange) of compatible mutual funds would otherwise give rise to contingent deferred sales charge ("CDSC"), the client will be responsible for the CDSC.

### **iii. Incompatible Securities**

To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, Amerivest will not assume discretion as to such securities. The client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from Amerivest. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets, and the client will be unable to invest in a strategy until the incompatible securities are removed from their TD Ameritrade Investing Account. Please see response below at *Fees and Compensation* of this disclosure brochure.

### **iv. Portfolio Mutual Fund Transactions**

First, the client's TD Ameritrade Investing Account application (including related forms) and required Amerivest paperwork must be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in the amount at or above the required investment minimum, the recommended trades for Amerivest Portfolios will be placed in the account during the next trading window. (Amerivest intends to enter the transactions with TD Ameritrade at approximately 1 p.m. CST every business day on which securities markets are open, but reserves the right to change the time when appropriate. The orders will be executed at the end of the day.)

However, in certain market conditions such as significant market losses or gains (generally based on important economic news), Amerivest reserves the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and Amerivest determines it is not to the benefit of the clients to enter the orders on an individual account basis.

Since mutual funds trade at a daily NAV, clients participating in the daily trading windows will receive the same average price.

## **Fees and Compensation**

### **i. Financial Planning**

Clients will be notified in the event that Amerivest charges fees for financial planning, as they are not currently being charged.

### **ii. Online Amerivest**

Amerivest pricing for its Online Amerivest service (Amerivest Self-Directed and Target Date Portfolios) is as follows:

<b>Account Value</b>	<b>Annual Advisory Fee*</b>
First \$100,000	0.75%; subject to a minimum fee of the lesser of \$150 or 2.95%
Next \$400,000 (or portion thereof)	0.50%
Additional assets above \$500,000	0.35%

\*In connection with this fee, TD Ameritrade charges no commissions for all associated ETF transactions in TD Ameritrade Investing Accounts. The minimum initial account size for Amerivest Self-Directed and Target Date Portfolios is \$25,000.

All pricing is subject to change on reasonable notice. Please note that Amerivest's advisory fees may be waived, in whole or in part, at the sole discretion of Amerivest, including in connection with promotional efforts. In addition, the fee may be waived, in whole or in part, for employees and certain former employees of TD Ameritrade and its affiliates. Such employees also may be allowed to open related TD Ameritrade accounts at levels below the standard \$25,000

minimum. Amerivest also reserves the right to negotiate pricing in individual circumstances and to provide “householding” fee reductions and provide offers to new and prospective clients.

The applicable Amerivest fee will be assessed at the beginning of each quarter, in advance for that quarter. If a client has chosen to implement Amerivest’s advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade, the fee will be deducted from the assets in the related introducing account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc. If the client opens their related TD Ameritrade account during a quarter, Amerivest will collect a prorated fee for the balance of the quarter upon the account funding. If the client closes their related TD Ameritrade account during a quarter, Amerivest will refund to the client the unearned portion of the previously collected fee. Also, if an Amerivest client closes their related TD Ameritrade account within five business days of opening it, Amerivest will promptly refund the fee paid in full.

The above pricing is in the context of clients who deal directly with Amerivest and TD Ameritrade. Amerivest reserves the right to provide its services to other types of clients (such as participants in 401(k) plans) and in other contexts (such as in conjunction with independent RIAs serviced by TD Ameritrade Institutional). Amerivest also reserves the right to vary its fee structure for such other types of clients and in such other contexts as well as for TD Ameritrade employees.

To the extent that a client may deposit securities other than ones compatible with Amerivest into a TD Ameritrade Investing Account, the client must either sell or transfer the incompatible securities promptly. If the securities are sold, TD Ameritrade generally will charge commissions and the sale generally will be on an unsolicited basis.

Clients are also responsible for the fees and expenses for owning the ETFs. The expenses may include management fees, 12b-1 fees, administrative costs and other various operational expenses. Please see the fund prospectuses for more information. The ETF expenses are separate and apart from the Amerivest advisory fee.

### **iii. Amerivest Portfolios**

#### **a. Amerivest Mutual Fund Portfolios Powered by Morningstar Associates Details**

<b>Account Value</b>	<b>Gross Annual Advisory Fee</b>	<b>Fee Credit Amount<sup>1</sup></b>	<b>Net Annual Advisory Fee<sup>2</sup></b>
First \$100,000 (subject to a minimum fee of the lesser of \$180 or 2.95%)	1.25%	0.35%	0.90%
Next \$150,000 (or portion thereof)	1.10%	0.35%	0.75%
Next \$250,000 (or portion thereof)	0.95%	0.35%	0.60%
Additional assets above \$500,000	0.80%	0.35%	0.45%

1. The purpose of the credit amount is to reduce your annual advisory fee by the amount of 12b-1 and other service-related fees, if any, received from the mutual funds held in your TD Ameritrade Investing Account by Amerivest, TD Ameritrade, Inc. or any other affiliates.

2. In connection with this fee, TD Ameritrade charges no commissions for all eligible transactions in TD Ameritrade Investing Accounts. The minimum initial investment is \$25,000. The maximum initial investment will vary depending on the model and suitability considerations.

Please note that Amerivest’s advisory fees may be waived, in whole or in part, at the sole discretion of Amerivest, including in connection with promotional efforts. In addition, the fee may be waived, in whole or in part, for employees and certain former employees of TD Ameritrade and its affiliates. Such employees also may be allowed to open related TD Ameritrade accounts at levels below the standard \$25,000 minimum. Amerivest also reserves the right to negotiate pricing in individual circumstances and to provide “householding” fee reductions and provide offers to new and prospective clients. All pricing is subject to change on reasonable notice.

The applicable Amerivest fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement Amerivest’s advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade, and the fee will be deducted from the assets in the related introducing account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc. If the client opens their related TD Ameritrade account during a quarter, Amerivest will collect a prorated fee for the balance of the quarter upon account funding. If the client closes their related TD Ameritrade account during a quarter, Amerivest will refund to the client the unearned portion of the previously collected fee. Also, if an Amerivest client closes their related TD Ameritrade account within five business days of opening it, Amerivest will refund the fee paid in full promptly.

The above pricing is in the context of clients who deal directly with Amerivest and TD Ameritrade. Amerivest reserves the right to provide its services to other types of clients (such as participants in 401(k) plans) and in other contexts (such as in conjunction with independent RIAs serviced by TD Ameritrade Institutional). Amerivest also reserves the right to vary its fee structure for such other types of clients and in such other contexts, as well as for TD Ameritrade employees.

If the market value of a client’s account falls below the minimum for his or her strategy due to him or her withdrawing assets from the account, Amerivest may require the client to deposit additional money to bring the account up to the required minimum, and Amerivest reserves the right to discontinue the advisory relationship and transfer the securities into a like-titled brokerage account with TD Ameritrade.

Mutual fund companies utilized by the Amerivest Portfolios service reserve the right to charge fund-imposed, short-term redemption fees as detailed in the fund prospectus on transactions initiated due to client requests to raise cash.

Clients are also responsible for paying the mutual fund expenses of the underlying funds. The expenses include management fees, 12b-1 fees, administrative costs and other various operational expenses. Please see the fund prospectuses for more information. The mutual fund expenses are separate and apart from the Amerivest advisory fee.

The maximum investment amount will vary depending on the model selected and the client's Profile Information. If the investment amount exceeds the maximum for the model, the client will be contacted by an Amerivest representative to discuss the suitability of the model. If Amerivest is unable to contact the client within 30 days, Amerivest reserves the right to restrict trading and billing on the account until the client is contacted and the issue is resolved.

**b. Amerivest Exchange Traded Funds Portfolios Powered by Morningstar Associates Details**

Account Value	Annual Advisory Fee*
First \$100,000 (subject to a minimum fee of the lesser of \$180 or 2.95%)	0.90%
Next \$150,000 (or portion thereof)	0.75%
Next \$250,000 (or portion thereof)	0.60%
Additional assets above \$500,000	0.45%

\* In connection with this fee, TD Ameritrade charges no commissions for all eligible transactions in TD Ameritrade Investing Accounts. The minimum initial investment is \$25,000. The maximum initial investment will vary depending on the model and suitability considerations.

Please note that Amerivest's advisory fees may be waived, in whole or in part, at the sole discretion of Amerivest, including in connection with promotional efforts. In addition, the fee may be waived, in whole or in part, for employees and certain former employees of TD Ameritrade and its affiliates. Such employees also may be allowed to open related TD Ameritrade accounts at levels below the standard \$25,000 minimum. Amerivest also reserves the right to negotiate pricing in individual circumstances, provide "householding" fee reductions and provide offers to new and prospective clients. All pricing is subject to change on reasonable notice.

The applicable Amerivest fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement Amerivest's advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade. The fee will be deducted from the assets in the related introducing account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc. If the client opens their related TD Ameritrade account during a quarter, Amerivest will collect a prorated fee for the balance of the quarter upon account funding. If the client closes their related TD Ameritrade account during a quarter, Amerivest will refund to the client the unearned portion of the previously collected fee. Also, if an Amerivest client closes their related TD Ameritrade account within five business days of opening it, Amerivest will refund the fee paid in full promptly.

The above pricing is in the context of clients who deal directly with Amerivest and TD Ameritrade. Amerivest reserves the right to provide its services to other types of clients (such as participants in 401(k) plans) and in other contexts (such as in conjunction with independent RIAs serviced by TD Ameritrade Institutional). Amerivest also reserves the right to vary its fee structure for such other types of clients and in such other contexts, as well as for TD Ameritrade employees.

If the market value of a client's account falls below the minimum for his or her strategy due to the client withdrawing assets from the account, Amerivest may require the client to deposit additional money to bring the account up to the required minimum, and Amerivest reserves the right to discontinue the advisory relationship and transfer the securities into a like-titled brokerage account with TD Ameritrade.

Clients are also responsible for the fees and expenses for owning the ETFs. The expenses may include management fees, 12b-1 fees, administrative costs and other various operational expenses. Please see the fund prospectuses for more information. The ETF expenses are separate and apart from the Amerivest advisory fee.

The maximum investment amount will vary depending on the model selected and the client's Profile Information. If the investment amount exceeds the maximum for the model, the client will be contacted by an Amerivest representative to discuss the suitability of the model. If Amerivest is unable to contact the client within 30 days, Amerivest reserves the right to restrict trading and billing on the account until the client is contacted and the issue is resolved.

**c. Amerivest Supplemental Income Portfolios Powered by Morningstar Associates**

Account Value	Gross Annual Advisory Fee	Fee Credit Amount <sup>1</sup>	Net Annual Advisory Fee <sup>2</sup>
First \$100,000 (subject to a minimum fee of the lesser of \$180 or 2.95%)	1.10%	0.35%	0.75%
Next \$150,000 (or portion thereof)	0.95%	0.35%	0.60%
Next \$250,000 (or portion thereof)	0.80%	0.35%	0.45%
Additional assets above \$500,000	0.65%	0.35%	0.30%

1. The purpose of the credit amount is to reduce your annual advisory fee by the amount of 12b-1 and other service-related fees, if any, received from the mutual funds held in your TD Ameritrade Investing Account by Amerivest, TD Ameritrade, Inc. or any other affiliates.

2. In connection with this fee, TD Ameritrade charges no commissions for all eligible transactions in TD Ameritrade Investing Accounts. The minimum initial investment is \$25,000. The maximum initial investment will vary depending on the model and suitability considerations.

Please note that Amerivest's advisory fees may be waived, in whole or in part, at the sole discretion of Amerivest, including in connection with promotional efforts. In addition, the fee may be waived, in whole or in part, for employees and certain former employees of TD Ameritrade and its affiliates. Such employees also may be allowed to open related TD Ameritrade accounts at levels below the standard \$25,000 minimum. Amerivest also reserves the right to negotiate pricing in individual circumstances and to provide "householding" fee reductions and provide offers to new and prospective clients. All pricing is subject to change

on reasonable notice.

The applicable Amerivest fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement Amerivest's advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade. The fee will be deducted from the assets in the related introducing account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc. If the client opens their related TD Ameritrade account during a quarter, Amerivest will collect a prorated fee for the balance of the quarter upon account funding. If the client closes their related TD Ameritrade account during a quarter, Amerivest will refund to the client the unearned portion of the previously collected fee. Also, if an Amerivest client closes their related TD Ameritrade account within five business days of opening it, Amerivest will refund the fee paid in full promptly.

The above pricing is in the context of clients who deal directly with Amerivest and TD Ameritrade. Amerivest reserves the right to provide its services to other types of clients (such as participants in 401(k) plans) and in other contexts (such as in conjunction with independent RIAs serviced by TD Ameritrade Institutional). Amerivest also reserves the right to vary its fee structure for such other types of clients and in such other contexts, as well as for TD Ameritrade employees.

If the market value of a client's account falls below the minimum for his or her strategy due to he or she withdrawing assets from the account, Amerivest may require the client to deposit additional money to bring the account up to the required minimum, and Amerivest reserves the right to discontinue the advisory relationship and transfer the securities into a like-titled brokerage account with TD Ameritrade.

Mutual fund companies utilized by the Amerivest Portfolios service reserve the right to charge fund-imposed, short-term redemption fees as detailed in the fund prospectus on transactions initiated due to client requests to raise cash.

Clients are also responsible for paying the mutual fund expenses of the underlying funds. The expenses include management fees, 12b-1 fees, administrative costs and other various operational expenses. Please see the fund prospectuses for more information. The mutual fund expenses are separate and apart from the Amerivest advisory fee.

The maximum investment amount will vary depending on the model selected and the client's Profile Information. If the investment amount exceeds the maximum for the model, the client will be contacted by an Amerivest representative to discuss the suitability of the model. If Amerivest is unable to contact the client within 30 days, Amerivest reserves the right to restrict trading and billing on the account until the client is contacted and the issue is resolved.

#### **iv. Amerivest for RIAs**

In the case of independent RIAs serviced by TD Ameritrade Institutional which are sub-advised by Amerivest, the RIA will charge an all-in fee to its clients (which may not be broken down into its components for the clients) and will pay Amerivest a sub-advisory fee. The pricing is as follows (but may be changed on 30 days' written notice):

- The standard annual fee is 30 basis points for all sub-advised portfolios,\* subject to a \$25,000 minimum asset requirement and to the following fee reductions:
  - ° A reduction to 25 basis points for all portfolios of an RIA which has reached \$1 million of Amerivest-related client assets or committed to put at least \$1 million of non-ERISA client assets into the Amerivest service within three months of the date of such commitment, provided that if this commitment is not met, the fee will revert to the standard 30 basis points.
  - ° A reduction to 20 basis points for all portfolios of an RIA which has reached \$5 million of Amerivest-related client assets or committed to put at least \$5 million of non-ERISA client assets into the Amerivest service within three months of the date of such commitment, provided that if this commitment is not met, the fee will revert to 25 basis points if there is at least \$1 million of client assets or to 30 basis points if the client assets are less than \$1 million

\*The annual fee for account values of less than \$20,000 will be the lesser of \$100 or 2.95% (295 basis points), assessed quarterly at a rate of the lesser of \$25 or 73.75 basis points

The sub-advisory fees are charged quarterly in advance at the beginning of each quarter, calculated at the annual rate shown above based on the market value of sub-advised assets at the end of the preceding quarter. Amerivest's sub-advisory fees are subject to change on 30 days' notice. All associated ETF transactions in the RIA clients' TD Ameritrade ASA Accounts are done without any commission being charged. Amerivest reserves the right to negotiate pricing in individual circumstances.

In connection with its Amerivest for RIAs sub-advisory service, Amerivest from time to time may co-sponsor marketing events with RIAs using its service. Such events will be directed toward clients and potential clients of the RIAs. At the events, representatives of Amerivest will provide information and answer questions about its sub-advisory service to RIA(s), but Amerivest will not be seeking to enter into direct relationships with such RIA clients and potential clients.

Any fees charged for the Amerivest asset allocation services are in addition to, and do not cover, fees charged to clients as investors in ETFs or commissions and other transaction charges imposed in executing orders. Generally, commissions are charged in connection with purchasing and selling ETFs, but TD Ameritrade currently has waived such commissions for Amerivest-related transactions. Each client is obligated to pay Amerivest its fee for this service in addition to fees imposed on each investor in an ETF, and commissions charged by the broker executing the transaction, which broker may be Amerivest's affiliate, TD Ameritrade.

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

Amerivest does not receive performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-

based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Types of Clients

Amerivest generally provides financial planning and asset allocation services to individuals and trusts, but may provide them to institutions. These services are provided through the Internet or software applications to a national clientele. Amerivest also makes its services available to certain RIAs on a sub-advisory basis, as described in the *Advisory Business* section above.

The Amerivest asset allocation services are made available to brokerage clients of TD Ameritrade. The minimum initial investment for a TD Ameritrade Investing Account or a TD Ameritrade ASA Account is \$25,000. There is a minimum fee requirement for Online Amerivest of the lesser of \$150 or 2.95% and a minimum of \$180 or 2.95% for the Amerivest Portfolios service. In addition, if the market value of a client's account falls below the minimum for his or her strategy due to he or she withdrawing assets from the account, Amerivest may require the client to deposit additional money to bring the account up to the required minimum, and Amerivest reserves the right to discontinue the advisory relationship and transfer the securities into a like-titled brokerage account with TD Ameritrade. Furthermore, the terms and conditions applicable to a TD Ameritrade Investing Account (or, for RIAs, a TD Ameritrade ASA Account) will apply to any brokerage activities in such an account, and such accounts are designed to enhance the Amerivest experience.

## Methods of Analysis, Investment Strategies and Risk of Loss

### **i. Online Amerivest**

Amerivest has retained Morningstar Associates to provide asset allocation and security selection of the Online Amerivest portfolios. Morningstar Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest the asset allocations utilized in the Online Amerivest service. The asset allocation methodology is based on two factors: 1) estimated risk/return parameters relying on historic, current and forecasted data; and 2) the use of a tactical asset allocation tool based on modern portfolio theory. In addition, Morningstar Associates reviews the available ETFs using the following factors: tracking error, excess return over benchmark, fund net assets, reciprocal of the prospectus net expense ratio and reciprocal of the average premium/discount over the 12-month period.

Amerivest's oversight of the asset allocation and security selections conducted by Morningstar Associates will use the following methods:

- Verifying all calculations that will be used to derive the investment frontiers, not limited to:
  - Verifying all inputs such as tracking error, expense ratio and average premium/discount using third-party data sources; and
  - Verifying that the securities (ETFs) selected by Morningstar Associates qualify for the Online Amerivest Service.
- Reconstructing risk analysis to validate that appropriate risk/return is advised by Morningstar Associates to clients.

Information used in making the goal planning and Amerivest asset allocation recommendations is based upon industry-accepted methods and criteria for evaluating a client's investment goals, based upon information provided by the client relating solely to the assets each client chooses to invest in accordance with a financial plan or an Amerivest asset allocation model.

Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly.

The principal Online Amerivest investment strategy is for clients to make long-term purchases of ETFs. However, because of factors such as client liquidity needs, rebalancing, profile changes and allocation model adjustments, not all ETFs purchased may be held for at least a year.

In the Online Amerivest service, Amerivest will not directly implement any specific advice given to online clients and exercises no discretion over client accounts or assets. Online clients may choose to implement Amerivest's recommendations through a TD Ameritrade Investing Account at Amerivest's affiliated broker/dealer, TD Ameritrade. Amerivest will not exercise any discretion over their assets. In the case of Amerivest acting as sub-advisor to RIAs, the RIA client's TD Ameritrade account is known as a TD Ameritrade ASA Account and the transactions must be made in that account.

### **ii. Amerivest Mutual Fund Portfolios Powered by Morningstar Associates**

Amerivest has retained Morningstar Associates to provide asset allocation and security selection of the Amerivest Mutual Fund Portfolios. Amerivest Mutual Fund Portfolios Powered by Morningstar Associates are diversified asset allocation portfolios that utilize the same asset allocation models from Online Amerivest. Morningstar Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest the asset allocations utilized in the Online Amerivest service. The asset allocation methodology is based on two factors: 1) an estimate of risk/return parameters relying on historic, current and forecasted data; and 2) the use of a tactical asset allocation tool based on modern portfolio theory.

After the asset allocation is determined, Morningstar Associates generally selects no-load funds for the model portfolios from the Premier List, which is created by Morningstar Associates from a universe of mutual funds made available through TD Ameritrade. The Premier List consists of funds selected from a broad range of categories by experienced Morningstar Associates investment consultants. Morningstar Associates works with TD Ameritrade to establish a set of criteria for an appropriate fund universe. The funds on the Premier List are available through TD Ameritrade and are carefully screened and analyzed by Morningstar Associates investment consultants. After the fund universe is defined, Morningstar Associates uses a set of quantitative screens that incorporate risk-adjusted performance, variance of returns, tax efficiency, expenses, style consistency and style purity. This screening process yields two sets of scores: one that shows whether a fund has performed well relative to its peers, and one that ranks funds against their peers within the Premier List universe.

Morningstar Associates will provide Amerivest with initial investment options and quarterly strategy evaluations. Morningstar Associates will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide Amerivest with the updates to the portfolios. Amerivest will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

Amerivest oversight of the Morningstar Associates process for Amerivest Mutual Fund Portfolios is the same as described above in paragraph i. Online Amerivest, of this section.

Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly.

The principal Amerivest investment strategy for Amerivest Mutual Fund Portfolios is the long-term purchase of funds (investment time horizon of more than one year). However, depending on the circumstances, and as a result of factors such as client liquidity needs, rebalancing, profile changes and allocation model adjustments, not all mutual funds purchased may be held for at least a year.

If the client chooses to use Amerivest Mutual Fund Portfolios, the client must authorize Amerivest to exercise discretionary trading authority over the assets in the client's strategy, which includes the initial allocation and ongoing rebalancing for the strategy. This discretionary authority allows Amerivest to buy, sell, exchange or otherwise trade the assets in the client's strategy without the approval of each transaction in the client's dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade, member FINRA/SIPC/NFA, Amerivest's affiliated broker/dealer. After the client's TD Ameritrade Investing Account application (including related forms) and required Amerivest paperwork are received and approved and the client deposits cash in his or her TD Ameritrade Investing Account in the amount at or above the required investment minimum, the recommended trades will be placed in the account during the trading window. Clients will be able to invest in one strategy per account.

### **iii. Amerivest ETF Portfolios Powered by Morningstar Associates**

Amerivest has retained Morningstar Associates to provide asset allocation and security selection service for the Amerivest ETF Portfolios. Amerivest ETF Portfolios Powered by Morningstar Associates are diversified asset allocation portfolios that utilize the same asset allocation models from Online Amerivest. Morningstar Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest the asset allocations utilized in the Online Amerivest service. The asset allocation methodology is based on two factors: 1) an estimate of risk/return parameters relying on historic, current and forecasted data; and 2) the use of a tactical asset allocation tool based on modern portfolio theory. In addition, Morningstar Associates reviews the available ETFs using factors such as: tracking error, excess return over benchmark, fund net assets, net expense ratio and the average premium/discount over the 12-month period.

Amerivest's oversight of the asset allocation and security selections conducted by Morningstar Associates will use the following methods:

- Verifying all calculations that will be used to derive the investment frontiers, not limited to:
  - Verifying all inputs such as tracking error, expense ratio and average premium/discount using third-party data sources; and
  - Verifying that the securities (ETFs) selected by Morningstar Associates qualify for the Online Amerivest Service.
- Reconstructing risk analysis to validate that appropriate risk/return is advised by Morningstar Associates to clients.

Information used in making the goal planning and Amerivest asset allocation recommendations is based upon industry-accepted methods and criteria for evaluating a client's investment goals, based upon information provided by the client relating solely to the assets each client chooses to invest in accordance with a financial plan or an Amerivest asset allocation model.

Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly.

The principal Amerivest investment strategy is for clients to make long-term purchases of ETFs. However, because of factors such as client liquidity needs, rebalancing, profile changes and allocation model adjustments, not all ETFs purchased may be held for at least a year. However, depending on the circumstances, and as a result of factors such as client liquidity needs, rebalancing, profile changes and allocation model adjustments, not all ETFs purchased may be held for at least a year.

Morningstar Associates will provide Amerivest with initial investment options and annual strategy evaluations. However, Morningstar Associates will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide Amerivest with the updates to the portfolios. Amerivest will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

If the client chooses to use Amerivest ETF Portfolios, the client must authorize Amerivest to exercise discretionary trading authority over the assets in the client's strategy, which includes the initial allocation and ongoing rebalancing for the strategy. This discretionary authority allows Amerivest to buy, sell, exchange or otherwise trade the assets in the client's strategy without the approval of each transaction in the client's dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade, member FINRA/SIPC/NFA, Amerivest's affiliated broker/dealer. After the client deposits cash in his or her TD Ameritrade Investing Account in the amount at or above the required investment minimum, the recommended trades will be placed in the account during the trading window. Clients will be able to invest in one strategy per account.

### **iv. Amerivest Supplemental Income Portfolios Powered by Morningstar Associates**

Amerivest has retained Morningstar Associates to provide asset allocation and security selection service for the Amerivest Supplemental Income Portfolios. Amerivest Supplemental Income Portfolios Powered by Morningstar Associates are diversified asset allocation portfolios generally for more conservative investors who may want supplemental income for retirement or other purposes or as a complement to other investment strategies with a secondary goal of growth. Due to the conservative

nature of the portfolios, Amerivest has created only two models: Conservative and Moderate. Morningstar Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest the asset allocations. The asset allocation methodology is based on two factors: 1) an estimate of risk/return parameters relying on historic, current and forecasted data; and 2) the use of a tactical asset allocation tool based on modern portfolio theory.

After the asset allocation is determined, Morningstar Associates generally selects no-load funds for the model portfolios from the Premier List, which is created by Morningstar Associates from a universe of mutual funds made available through TD Ameritrade. The Premier List consists of funds selected from a broad range of categories by experienced Morningstar Associates investment consultants. Morningstar Associates works with TD Ameritrade to establish a set of criteria for an appropriate fund universe. The funds on the Premier List are available through TD Ameritrade and are carefully screened and analyzed by Morningstar Associates investment consultants. After the fund universe is defined, Morningstar Associates uses a set of quantitative screens that incorporate risk-adjusted performance, variance of returns, tax efficiency, expenses, style consistency and style purity. This screening process yields two sets of scores: one that shows whether a fund has performed well relative to its peers, and one that ranks funds against their peers within the Premier List universe.

Morningstar Associates will provide Amerivest with initial investment options and quarterly strategy evaluations. Morningstar Associates will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide Amerivest with the updates to the portfolios. Amerivest will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

Amerivest oversight of the Morningstar Associates process for Amerivest Supplemental Income Portfolios is the same as described above in paragraph *i. Online Amerivest*, of this section.

Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly.

The principal Amerivest investment strategy for Amerivest Supplemental Income Portfolios is the long-term purchase of funds (investment time horizon of more than one year). However, depending on the circumstances, and as a result of factors such as client liquidity needs, rebalancing, profile changes and allocation model adjustments, not all mutual funds purchased may be held for at least a year.

If the client chooses to use Amerivest Supplemental Income Portfolios, the client must authorize Amerivest to exercise discretionary trading authority over the assets in the client's strategy, which includes the initial allocation and ongoing rebalancing for the strategy. This discretionary authority allows Amerivest to buy, sell, exchange or otherwise trade the assets in the client's strategy without the approval of each transaction in the client's dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade, member FINRA/SIPC/NFA, Amerivest's affiliated broker/dealer. After the client deposits cash in his or her TD Ameritrade Investing Account in the amount at or above the required investment minimum, the recommended trades will be placed in the account during the trading window. Clients will be able to invest in one strategy per account.

## **Types of Investments**

### **i. Online Amerivest**

Online Amerivest currently recommends investments in specific types of ETFs. They are typically ETFs designed to track indices for selected categories of investments, such as the Russell 2000, International Emerging Markets and 7-10-year U.S. Treasury Bonds.

ETFs are investment companies that are registered under the Investment Company Act of 1940, typically as open-end funds or unit investment trusts ("UITs"). They have the flexibility of trading intraday. Most ETFs are passively managed and may provide investors with diversification, cost and tax efficiency, liquidity and marginability. ETFs sell and redeem their shares at net asset value ("NAV") only in large blocks of shares (such as 50,000) called "Creation Units" and track specific domestic and foreign market indices. Institutional investors create or redeem the Creation Units. After creation, the ETF shares trade between investors like a stock. Because ETF shares trade freely and continuously, the market determines prices, and investors can buy or sell shares at any time that the markets are open. ETFs are priced continuously by the market, so there is a potential for trading to take place at a price other than the NAV. However, because large institutions can create or redeem ETFs at any time, these large institutions take advantage of any significant mispricing through a simultaneous purchase and sale transaction called arbitrage. Arbitrage offers a small but risk-free profit to the institution, while forcing prices to remain close to their NAV.

An index-based ETF seeks to track the performance of its corresponding index by either replicating the securities in the index or holding a representative sample of the securities in the index. Because ETFs are passively managed, their expenses are typically lower than the expenses of actively managed mutual funds, which generally have higher management fees and brokerage expenses due to portfolio trading. In addition, ETF expenses are often lower than the expenses of index funds. However, investors who purchase and sell ETF shares in secondary market transactions generally pay brokerage commissions in connection with those transactions.

ETFs may be used as long-term investments, as they are for Amerivest asset allocation purposes. ETFs also may be used by others as short-term investments. For those investors who trade more frequently, ETFs offer the ability to purchase and sell ETF shares in the secondary market at a known price anytime during the trading day, to purchase ETF shares on margin and to sell ETF shares short without regard to the "up-tick" rule.

*Risks Associated with Investing in ETFs.* Equity-based ETFs are subject to risks similar to those of stocks, and fixed-income-based ETFs are subject to risks similar to those of bonds. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Foreign-based ETFs have unique and greater risks than domestic-based ETFs including fluctuations due to changes in a currency's exchange rate and political risk. Fixed-income mutual funds (bond funds) fluctuate with the bond market. Fixed-income risks include:

- Credit risk: the risk that a company or bond issuer may fail to pay principal and interest payments in a timely manner.
- Interest rate risk: the risk that the market value of the bonds will go down when interest rates go up.
- Prepayment risk: the risk that a bond will be paid off early.



**Past performance is no guarantee of future results. See response above at *Methods of Analysis, Investment Strategies and Risk of Loss* of this disclosure brochure.**

## **ii. Amerivest Portfolios**

### **a. Amerivest Mutual Fund Portfolios Powered by Morningstar Associates**

The Amerivest Mutual Fund Portfolios Powered by Morningstar Associates service recommends mutual funds as part of an asset allocation model. They primarily include equity and fixed-income mutual funds with investment objectives that closely match the asset/sub-asset classes of the asset allocation models used by Amerivest.

Mutual funds are investment companies that are registered under the Investment Company Act of 1940. Most mutual funds are managed by investment advisors who research, select and monitor the securities in the fund. Mutual funds sell and redeem their shares at NAV. The mutual funds recommended in the Amerivest Portfolios Powered by Morningstar Associates are generally selected from the Premier List provided to TD Ameritrade by Morningstar Associates.

*Risks Associated with Investing in Mutual Funds.* Equity-based mutual funds are subject to risks similar to those of stocks, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. International mutual funds are subject to fluctuations due to changes in a currency's exchange rate and political risk. Fixed-income mutual funds (bond funds) fluctuate with the bond market. Fixed-income risks include:

- Credit risk: the risk that a company or bond issuer may fail to pay principal and interest payments in a timely manner.
- Interest rate risk: the risk that the market value of the bonds will go down when interest rates go up.
- Prepayment risk: the risk that a bond will be paid off early.

### **b. Amerivest ETF Portfolios Powered by Morningstar Associates**

Amerivest ETF Portfolios Powered by Morningstar Associates recommends ETFs as part of an asset allocation model as described under *i. Online Amerivest* of this section.

### **c. Amerivest Supplemental Income Portfolios Powered by Morningstar Associates**

Amerivest Supplemental Income Portfolios Powered by Morningstar Associates recommends mutual funds as part of an asset allocation model as described under *ii.a. Amerivest Mutual Fund Portfolios Powered by Morningstar Associates* of this section.

**Past performance is no guarantee of future results.**

## **Risk of Loss**

**The Amerivest asset allocation service and recommendations have been developed based on historical performance of the standard asset classes (stocks, bonds and cash) and of representative index fund products, including ETFs, mutual funds and index funds, as well as concepts of modern portfolio theory. Modern Portfolio Theory ("MPT") suggests that investors can limit the volatility in their portfolio, while improving its performance, by spreading the risk among different types of securities that do not always behave the same way. It is a principle of investing that higher potential returns carry higher risk, and conversely, for lower risk, investors must accept lower expected returns. According to MPT, a portfolio (a combination of individual investments) exhibits risk and return characteristics based on its composition and the way those components correlate with each other. For each level of risk, there is an "optimal" asset allocation that is designed to produce the best balance of risk versus return. An optimal portfolio will provide neither the highest returns, nor the lowest risk of all possible portfolio combinations — it will attempt to balance the lowest risk for a given level of return and the greatest return for an acceptable level of risk.**

**The information generated by the Amerivest service is hypothetical, does not reflect actual investment results and does not guarantee future results. Amerivest's analysis primarily focuses on mutual funds and index ETFs that track to broad indices, including foreign equity, domestic equity and bond indices, and may provide investors with diversification, cost and tax efficiency, and liquidity. Other investment vehicles that are not included in the modeling process may have characteristics similar or superior to mutual funds, ETFs or index funds.**

Investing in securities involves risk of loss that the client should be prepared to bear. Amerivest does not represent or guarantee that its asset allocation services and recommendations can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Amerivest cannot offer any guarantees or promises that a client's financial goals and objectives will be met. Past performance is in no way an indication of future performance.

**Online Amerivest:** Amerivest's recommendations are made without considering potential tax consequences to the client. The client is responsible for any tax liabilities resulting from transactions (including any arising from, the addition of assets to, or withdrawal of assets from, the client's account). Amerivest makes no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. Amerivest is unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment. While Amerivest is designed to provide helpful investing guidance, the client must carefully consider the appropriateness of the proposed investments in light of the client's own personal financial circumstances, including cash flow needs, unusual tax circumstances or other complex or subjective concerns. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investing in general, as well as the investments and the overall portfolio composition suggested by Amerivest. The client is free to accept or reject the Amerivest recommendations.

**Amerivest Portfolios:** Amerivest's recommendations are made without considering potential tax consequences to the client. The client is responsible for any tax liabilities resulting from transactions (including any arising from the addition of assets to or withdrawal of assets from the client's account). Amerivest makes no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. Amerivest is unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investing in general, as well as the investments and the overall portfolio composition suggested by Amerivest.

## Disciplinary Information

TD Ameritrade (then known as TD Waterhouse Investor Services, Inc.) was the subject of cease-and-desist proceedings instituted by the SEC on September 16, 2004. The proceedings were pursuant to Section 15(b)(4) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 203(k) of the Investment Advisers Act of 1940 (the "Advisers Act") for allegedly making undisclosed payments to three investment advisors, which the investment advisors failed to disclose, to encourage the investment advisors to use TD Ameritrade for their clients' brokerage business. The SEC alleged that TD Ameritrade did not follow its internal compliance procedures, which required it to ensure that the investment advisors that received payments from TD Ameritrade adequately disclosed those payments in their Forms ADV. Without admitting or denying the allegations, TD Ameritrade submitted an offer of settlement, which the SEC accepted, in which TD Ameritrade was: (i) censured pursuant to Section 15(b)(4) of the Exchange Act; (ii) ordered to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Advisers Act; and (iii) ordered to pay a civil money penalty in the amount of \$2,000,000.

## Other Financial Industry Activities and Affiliations

Amerivest is a wholly owned subsidiary of Financial Passport, Inc. ("FPI"). Because FPI is a wholly owned subsidiary of the TD Ameritrade Holding Corporation ("Corporation"), Amerivest is indirectly owned by the Corporation. The Corporation also owns TD Ameritrade and TD Ameritrade Clearing, Inc., registered broker/dealers, the former being an introducing broker and the latter being a clearing broker for TD Ameritrade. TD Ameritrade is also registered with the SEC as an investment advisor.

Per an intercompany agreement between Amerivest and TD Ameritrade Clearing, Inc. and TD Ameritrade, Inc., TD Ameritrade Clearing, Inc. and TD Ameritrade, Inc. provide services and support to Amerivest. In addition, TD Ameritrade, Inc. shares certain employees with Amerivest necessary to the operation of Amerivest. Therefore, management persons of Amerivest are also employees of TD Ameritrade, Inc. and most management persons are also dually registered as registered representative of TD Ameritrade, Inc. The furnishing of services to Amerivest is undertaken under Amerivest's oversight, review, approval, supervision and control. Neither TD Ameritrade Clearing, Inc. nor TD Ameritrade, Inc. provide any investment advice or otherwise perform any function on behalf of Amerivest. Amerivest maintains all necessary records and information relating to the services it provides to meet its legal and contractual obligations.

To implement a portfolio, Amerivest clients will need to open a dedicated brokerage account (known as a TD Ameritrade Investing Account or a TD Ameritrade ASA Account for an RIA client) at TD Ameritrade, member FINRA/SIPC/NFA, Amerivest's affiliated broker/dealer. See response below to *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* of this disclosure brochure.

From time to time, TD Ameritrade may provide offers to existing and/or prospective clients with TD Ameritrade Investing Accounts related to the deposit of additional funds into their account or the opening of a new TD Ameritrade Investing Account.

TD Ameritrade is registered with the SEC as both a broker/dealer and an investment advisor. As a broker/dealer, TD Ameritrade may receive certain fees and commissions for effecting customer transactions. TD Ameritrade, acting in such a broker/dealer capacity, will forward orders from its advisory clients to TD Ameritrade Clearing, Inc., its clearing broker, for execution on a fully disclosed basis. In executing such transactions, TD Ameritrade Clearing, Inc. may act as principal or agent, charging markups or markdowns on principal transactions and commissions on agency transactions. TD Ameritrade and certain affiliates underwrite securities, but TD Ameritrade, in its capacity as an investment advisor, does not recommend these securities to its advisory clients. See response below to *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* of this disclosure brochure.

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

Amerivest adopted a Code of Ethics as of January 31, 2005, pursuant to Rule 204A-1 under the Investment Advisers Act of 1940. The Code is based on the principle that clients' interests come first. The Code requires Amerivest's personnel to adhere to high standards of honest and ethical conduct and, among other things, to comply with various reporting and approval requirements as to securities transactions. Copies of the Code are available to clients or prospective clients upon request.

Amerivest's broker/dealer affiliate, TD Ameritrade, will effect transactions for compensation for clients. Once a client selects an asset allocation model, the advisory client may implement the model recommendations through a dedicated brokerage account at TD Ameritrade known as a TD Ameritrade Investing Account (or, for RIAs, a TD Ameritrade ASA Account). Commissions may be charged for ETF and mutual fund transactions effected through TD Ameritrade, including those to implement, rebalance or reallocate an Amerivest asset allocation model, although they are not currently being charged.

TD Ameritrade is registered with the SEC as both a broker/dealer and an investment advisor. As a broker/dealer, TD Ameritrade may receive certain fees and commissions for effecting customer transactions. TD Ameritrade, acting in such a broker/dealer capacity, will forward orders from its advisory clients to TD Ameritrade Clearing, Inc., its clearing broker, for execution on a fully disclosed basis. In executing such transactions, TD Ameritrade Clearing, Inc. may act as principal or agent, charging markups or markdowns on principal transactions and commissions on agency transactions. TD Ameritrade and certain affiliates underwrite securities, but TD Ameritrade, in its capacity as an investment advisor, does not recommend these securities to its advisory clients. See response above to *Other Financial Industry Activities and Affiliations* of this disclosure brochure.

In its investment advisory capacity, TD Ameritrade provides services with respect to (i) its Managed Assets Program ("MAP") for various managed account solutions, which have investment requirements ranging from \$25,000 and above based on the selected managed account solution, and (ii) its AdvisorDirect® advisor referral service, which generally has a \$200,000 minimum investment requirement. TD Ameritrade's clients could potentially receive these advisory services from it, or they could receive advisory services from its affiliated advisor Amerivest. As a result, TD Ameritrade may have a conflict of interest when it guides prospects toward these services. TD Ameritrade and Amerivest have implemented operational and supervisory procedures to address the conflict of interest and to help ensure clients are referred to the appropriate advisory service.

The MAP service is provided in conjunction with an unaffiliated firm, Envestnet Asset Management, Inc. MAP allows for the management of separate portions of a client's assets by different independent Registered Investment Advisors. Each MAP client pays a fee that covers most transactional charges relating to securities trades effected with or through TD Ameritrade.

The AdvisorDirect service refers TD Ameritrade retail clients to one or more independent investment advisory firms that offer investment management and/or financial planning services. Such firms are clients of TD Ameritrade's Institutional division and have been screened for participation in AdvisorDirect. In addition to their regular salary, Investment Consultants who are investment advisor representatives of TD Ameritrade receive additional compensation ranging from \$90

for advised amounts of \$25,000 or more up to \$4,500 for advised amounts of \$4,000,000 or more for referring clients to advisors through AdvisorDirect. Actual payouts are multiplied by a payout factor ranging from 0% to 145% for each Investment Consultant, based on the amount of assets referred to AdvisorDirect. In addition, the top consultants as to AdvisorDirect referrals are eligible to receive year-end awards, and branch office managers may receive bonuses if the consultants in their office make successful referrals to AdvisorDirect. That additional compensation is the same as the compensation for referrals to Amerivest. The clients' brokerage transactions are effected through TD Ameritrade Institutional, which receives associated fees and commissions.

Amerivest prospects investing assets of an employee benefit 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 should be aware that they are solely responsible for selecting Amerivest as the advisor for their plan or account. TD Ameritrade will not make that decision for them and is not an investment manager or a fiduciary within the meaning of ERISA with respect to any such account. Such prospects should seek information to enable them to independently determine whether Amerivest is appropriate for them. Among the factors to be considered in making that determination are: (i) the role that Amerivest would play in the investment portfolio as a whole; (ii) the risk of loss and the opportunity for gain (or other return) associated with using Amerivest; (iii) the composition of the plan's or account's investment portfolio with regard to diversification; (iv) the liquidity and current return of the plan's or account's investment portfolio relative to its anticipated cash flow requirements; and (v) the projected return on the plan's or account's investment portfolio relative to the prospect's investment objectives for the plan or account.

Amerivest's affiliates and TD Ameritrade associates (collectively "Associates") are allowed to invest in Amerivest portfolios through the same interactive software that is available to all clients. Associates may purchase the portfolios in the same manner as retail clients given the limited business model of Amerivest which deals exclusively with asset allocation models involving index products such as ETFs, mutual funds from the TD Ameritrade Premier List and cash alternatives and does not involve any individual equity or fixed-income securities recommendations. In addition, Associates are subject to the TD Ameritrade Trading Policy, including the prohibition to not buy or sell securities on the basis of material nonpublic information.

Related persons of Amerivest are restricted from purchasing or selling any security (or derivative thereof) that they know or reasonably should know will be recommended in an Amerivest Portfolio (a) in their personal accounts and (b) in accounts as to which they have beneficial ownership (which includes (1) the accounts of a spouse, minor children, other persons living in their household and non-emancipated adult children (collectively, "family members"), (2) trusts established for the related person's benefit, family members or any other relative as to which trusts the related person has sole or shared voting or investment power and (3) entities in which the related person or his/her family members have sole voting or investment power or as to which the related person or his/her family members have shared voting or investment power and pecuniary interests. However, the restriction does not apply to securities listed on the S&P 500 or other large cap issues with a market capitalization of \$5 billion or more or reasonable trading volume where a transaction in the security will not likely move the market.

Supervised Persons are subject to the trading restrictions as described above. In addition, as associates of TD Ameritrade, they are subject to the TD Ameritrade Trading Policy. The Amerivest discretionary ETF transactions are entered as block orders with TD Ameritrade and, if applicable, Associate accounts will be included in the block orders and will receive the same average price as clients to help ensure Associates do not benefit unfairly to the disadvantage of the clients. Furthermore, the list of recommended ETFs will be included on a "restricted list" and reviewed and compared against the personal trades of the Access Persons per the trading restrictions.

## Brokerage Practices

To implement any Amerivest portfolio, clients are required to open a TD Ameritrade Investing Account and use TD Ameritrade, Inc. as the broker/dealer.

**Online Amerivest Clients:** Amerivest features TD Ameritrade as a broker to use in making securities transactions, and TD Ameritrade provides separate, dedicated brokerage accounts to facilitate tracking of client positions in Amerivest-related securities. TD Ameritrade currently charges no commissions in connection with ETF transactions in Amerivest client accounts. The relationship between Amerivest and TD Ameritrade is discussed on the TD Ameritrade Web site. (In the case of Amerivest acting as sub-advisor to RIAs, the RIA client's TD Ameritrade account is known as a TD Ameritrade ASA Account, and the transactions must be made in that account.) To the extent that a client decides to implement any Amerivest recommendation through his or her TD Ameritrade brokerage account, TD Ameritrade acts solely as a broker on an unsolicited basis in connection with such transactions and is not acting as an advisor to the client. Please note that requiring the use of TD Ameritrade, Inc. as the dedicated broker/dealer may prevent Amerivest from achieving the most favorable execution for client transactions which may result in higher transaction costs. TD Ameritrade, Inc. and Amerivest Investment Management, LLC are both wholly owned subsidiaries of TD Ameritrade Holding Corporation.

Please see response above at *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* of this disclosure brochure. Also see response below at *Additional Compensation*.

**Amerivest Portfolios Clients:** Use of the discount brokerage service is a condition to implementing the discretionary Amerivest Portfolios investment advice provided through Amerivest. Amerivest features TD Ameritrade as a broker to use in making securities transactions, and TD Ameritrade provides separate, dedicated brokerage accounts to facilitate tracking of client positions in Amerivest-related securities. Brokerage services provided by TD Ameritrade, Inc. The discretionary transactions will be executed during daily trading windows on an individual account basis. TD Ameritrade currently charges no commissions in connection with the discretionary transactions in Amerivest Portfolios clients' associated TD Ameritrade accounts. Requiring the use of TD Ameritrade, Inc. as the dedicated broker/dealer may prevent Amerivest from achieving the most favorable execution for client transactions, which may cost clients more money. Please see response above at *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* of this disclosure brochure. Also see response below at *Additional Compensation*.

## Aggregation of Trades

### a. Amerivest Mutual Fund Portfolios Powered by Morningstar Associates

With the Amerivest Mutual Fund Portfolios, Amerivest does not aggregate the orders. The discretionary transactions will be executed during daily trading windows on an individual account basis as mutual funds sell and redeem their shares at NAV. TD Ameritrade currently charges no commissions in connection with Amerivest Portfolios discretionary transactions in clients' associated TD Ameritrade accounts.

### b. Amerivest ETF Portfolios Powered by Morningstar Associates

With the Amerivest ETF Portfolios, Amerivest typically aggregates orders for more than one client if it determines that aggregation is in the best interests of the clients. Clients participating in aggregated transactions will receive an average share price with all transaction costs shared on a pro-rata basis.

Amerivest intends to enter the aggregated orders for the transactions during the trading window at approximately 1 p.m. CST every business day on which securities markets are open. The Amerivest trade allocation policy is to allocate the purchase and sales of the recommended ETFs in a fair and equitable manner. The policy prohibits any trade allocation to favor one group or any particular client(s) more favorably than another group or any similar clients.

On a typical trading day, Amerivest generates a list of accounts that require a recommended initial allocation or rebalancing transactions. The list also includes accounts for client-initiated transactions resulting from the client requesting a raise cash (liquidate securities), invest raise cash or the client selecting a new model after the previous day's trading aggregation job. Generally, the list does not include accounts in which client-initiated requests made to the Amerivest Service Team during market hours in which the client does not wish to wait for the next trading window. In addition, the list will not include accounts with open orders, unresolved investment restrictions, incompatible assets or model, values below the required minimum or above the required maximum, or in "do not trade" or Regulation T status.

However, in certain market conditions such as significant market losses or gains (generally based on important economic news), Amerivest reserves the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and Amerivest determines it is not to the benefit of the clients to enter the orders on an individual account basis. These orders will be aggregated and will receive an average price that is separate from the regular daily trading job.

The aggregated orders are placed with Amerivest's affiliated broker/dealer TD Ameritrade. Amerivest reconciles the orders by the next business day. Client cash or securities may be held collectively for settlement purposes but no longer than necessary to settle the purchase or sale.

TD Ameritrade provides each client with an account statement and trade confirmations that reflect the securities that have been purchased and sold for the clients. Amerivest also maintains books and records reflecting the securities held by, or bought or sold for, clients' accounts that participate in the aggregations.

The accounts of Amerivest-associated persons may participate in aggregated orders. The associates will receive the same average share price and will pay any applicable commissions and other transactions costs on a pro-rata basis.

TD Ameritrade may receive payment for order flow. Amerivest receives no additional compensation or remuneration as a result of the aggregation or payment for order flow. Order flow is described in "Services Provided-Online Amerivest" of the disclosure brochure.

### **Written Aggregation Statement**

Each trading day, as described above, Amerivest generates a list of accounts for the daily aggregated order(s). The orders are sent to TD Ameritrade. The order is generally filled in its entirety and clients receive their allotted allocation. ETFs sell and redeem their shares at NAV in Creation Units. Therefore, if additional shares of an ETF are required, a Creation Unit(s) may be used to fill the aggregated order. Once the order is executed, the shares will be allocated back to the clients' accounts participating in the order.

In rare instances, if an order is not filled in its entirety as stated above, the shares will be allocated on a percentage pro-rata basis among the participating clients. However, adjustments may be made to avoid odd amounts of shares held in any client account. If an order is allocated in a manner other than that stated herein, a written explanation for the change must be provided to and approved by the Chief Operating Officer and/or Chief Compliance Officer no later than the morning of the next business day following the execution of the order.

### **Trade Error Policy**

On occasion, a trade error may occur. Amerivest will attempt to correct the error as soon as possible and in such a manner that the affected client(s) are not disadvantaged and bear no losses.

### **c. Amerivest Supplemental Income Portfolios Powered by Morningstar Associates**

With the Amerivest Supplemental Income Portfolios, Amerivest does not aggregate the orders. The discretionary transactions will be executed during daily trading windows on an individual account basis as mutual funds sell and redeem their shares at NAV. TD Ameritrade currently charges no commissions in connection with the discretionary transactions in Amerivest Portfolio clients' associated TD Ameritrade accounts.

## **Review of Accounts**

### **A. Reviews**

#### **Online Clients**

In Self-Directed Amerivest, Amerivest will collect information from clients regarding their current risk tolerance, investable assets and investment goals. An investment plan based on this information will then be produced using a software application. An online client may request an updated plan at any time for no additional fee. Amerivest may run periodic reports to identify portfolios in various states such as portfolios with incompatible assets or infrequent rebalancing and provide clients with educational information and reminders on available Amerivest tools to help them use the Amerivest service.

In Amerivest Self-Directed Portfolios, Amerivest will collect information from online clients regarding their specific financial goals, time horizon and risk tolerance for client assets invested in accordance with an asset allocation model. Other financial and risk information relating to an online client's overall investment objective for total client assets is not considered. An asset allocation model based on this limited information will then be produced using a software application. An online client may obtain an updated plan by changing any of the factors for the specific goal or requesting recommendations regarding rebalancing of the account. The Amerivest Target Date Portfolios service is premised on the client wishing to maintain the recommended portfolio that has been accepted by the client until such time as Amerivest recommends asset reallocation toward a more conservative portfolio.

#### **Amerivest Portfolios Clients**

Amerivest will request updated Profile Information from its Amerivest Portfolios clients informally on a quarterly basis and more formally on an annual basis. Members of Amerivest's service team will run reports periodically to identify clients who have updated their Profile Information. They then will see whether the updated information would indicate that a change to the client's portfolio might be appropriate. They also will run periodic reports to identify portfolios in various circumstances such as portfolios with incompatible assets or incomplete paperwork. If so, a member of the service team will contact the client to pursue the matter. In addition, members of Amerivest's service team who are knowledgeable about Amerivest Portfolios will be available to consult periodically with clients about their portfolios.

## B. Reports

### Online Clients

Amerivest does not provide written reports to Online Amerivest clients. Clients may view their TD Ameritrade Investing Accounts online to see current account information. Such information includes performance of the previous business day (including certain benchmark data) and asset allocation information as of the current business day. TD Ameritrade will also provide a written account statement (at least quarterly) detailing the positions and activity in a client's TD Ameritrade Investing Account, and clients will receive trade confirmations for each buy, sell or exchange transaction in their accounts.

### Amerivest Portfolios Clients

Amerivest does not provide written reports to Amerivest Portfolios clients. Clients may view their TD Ameritrade Investing Accounts online to see current account information. Such information includes asset allocation information as of the current business day. TD Ameritrade will also provide a written account statement (at least quarterly) detailing the positions and activity in a client's TD Ameritrade Investing Account, and clients will receive trade confirmations for each buy, sell or exchange transaction in their accounts.

## Client Referrals and Other Compensation

**A.** TD Ameritrade Holding Corporation (or its subsidiaries or affiliates) provides to Amerivest office space, use of its phone system, use of its Internet Web site and other general office, clerical, managerial and legal support. The Amerivest service is designed to work with TD Ameritrade, a registered broker/dealer under common control with Amerivest. TD Ameritrade may receive compensation if clients open accounts at TD Ameritrade, place assets in investment vehicles, (including money market accounts) purchase products and services from it or implement Amerivest recommendations through it. However, currently TD Ameritrade does not charge commissions for implementing Amerivest recommendations. In addition, the Corporation's affiliates, TD Bank USA, N.A. and TD Bank, N.A., may receive an economic benefit from the cash held in its FDIC Insured Deposit Account by Amerivest clients, and may compensate TD Ameritrade in connection with such accounts.

**B.** Amerivest does not directly or indirectly compensate any TD Ameritrade personnel or any unrelated parties for client referrals.

TD Ameritrade registered representatives, known as Investment Consultants, will generally be either located in TD Ameritrade branch offices or in a call center. Their basic compensation consists of a salary component and an incentive bonus component. The incentive bonus pool is funded at each branch level based on several factors that may include branch net assets, branch new accounts and corporate profitability. The allocation of the relevant team pool to individual Investment Consultants is based on individual performance across several factors which may include sales practices, gross assets acquired, new accounts opened and teamwork.

In addition to the salary, Investment Consultants of TD Ameritrade who are properly registered may receive additional compensation from TD Ameritrade for referrals to Amerivest Portfolios based on the amount of funding in the associated TD Ameritrade Investing Account. The amount of the compensation ranges from \$90 for amounts of \$25,000 or more up to \$4,500 for amounts of \$4,000,000 per funded referral. Actual payouts are multiplied by a payout factor ranging from 0%-145% for each Investment Consultant, based on the amount of assets referred to Amerivest. Investment Consultants may also receive additional compensation from TD Ameritrade for referring current Online Amerivest Clients to Amerivest Portfolios. The amount of compensation ranges from a flat \$20 payout for amounts between \$10,000 and \$24,999 (including subsequent deposits into existing Amerivest Portfolios. Members of the Amerivest service team may also be eligible for the \$20 payout.) For amounts above \$25,000, Investment Consultants will receive approximately 35% of the standard compensation ranges provided above or \$32 for amounts of \$25,000 or more up to \$1,575 for amounts of \$4,000,000 per funded referral but the actual payouts will not be multiplied by the payout factor. In addition, the top Investment Consultants are eligible to receive year-end awards, and branch office managers may receive bonuses if the Investment Consultants in their offices make successful referrals. Consequently, Investment Consultants and branch office managers may have incentives to encourage investors to choose Amerivest instead of choosing other investment options. Furthermore, from time to time, Investment Consultants may participate in sales contests. A "sales contest" is any contest among Investment Consultants for cash or non-cash prizes, where receipt of a prize is preconditioned on reaching a sales target in a given period of time with respect to the gathering of assets or the referral to approved advisory services or securities. Similar incentives apply to the AdvisorDirect service described above at *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*.

In addition, TD Ameritrade client service personnel who are appropriately registered may receive individual bonus payments for making service transfers to dedicated Amerivest personnel and additional payments for transfers that result in new, funded TD Ameritrade Investing Accounts.

## Custody

**Online Amerivest:** For clients who have chosen to implement Amerivest's advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade, Amerivest's fee will be deducted from the assets in the related account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc.

**Amerivest Portfolios:** Clients will implement Amerivest's advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade. Amerivest's fee will be deducted from the assets in the related account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc.

Per the Intercompany Agreement (see *Other Financial Industry Activities and Affiliations*), TD Ameritrade Clearing, Inc. agrees to collect, on behalf of Amerivest, any fees charged by Amerivest to clients using TD Ameritrade Investing Accounts or TD Ameritrade ASA Accounts. Clients will receive written account statements from TD Ameritrade at least quarterly detailing the positions and activity in a client's TD Ameritrade Investing Account, and clients will receive trade confirmations for each buy, sell or exchange transaction in their accounts. The account statements from TD Ameritrade will indicate the amount of Amerivest's advisory fees deducted from a client's account(s) each billing period. Clients should carefully review account statements for accuracy. See response above to *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* of this disclosure brochure.

## Investment Discretion

### Online Amerivest Clients

Neither Amerivest nor any related person has the authority to determine, without obtaining specific client consent, the specific securities to be bought or sold for a client account, the amount of securities to be bought or sold for an account, the broker or dealer to be used to execute orders for a client account, or the commission rates paid by a client for account transactions.

Amerivest features TD Ameritrade as a broker to use in making securities transactions, and TD Ameritrade provides separate, dedicated brokerage accounts to facilitate tracking of client positions in Amerivest-related securities. TD Ameritrade currently charges no commissions in connection with ETF transactions in Amerivest client accounts. TD Ameritrade, Inc. and Amerivest are both wholly owned subsidiaries of TD Ameritrade Holding Corporation. The relationship between Amerivest and TD Ameritrade is discussed on the TD Ameritrade Web site.

Amerivest provides no advice on securities other than selected ETFs. While TD Ameritrade Investing Accounts can receive cash as well as securities, any ETF purchases associated with the Online Amerivest service must be paid for with cash. To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, the client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from Amerivest. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets, and the client will be unable to invest in a strategy until the incompatible securities are removed from their TD Ameritrade Investing Account. See response above at Fees and Compensation of this disclosure brochure.

### Amerivest Portfolios Clients

With Amerivest Portfolios, the client must authorize Amerivest to exercise discretionary trading authority over the assets in the client's strategy. This includes the initial allocation and ongoing rebalancing of the strategy based on the strategy evaluation of a third party. Clients grant the authority to Amerivest by signing/agreeing to the Amerivest Portfolios Service Agreement. The discretionary authority allows Amerivest to buy, sell, exchange or otherwise trade the eligible assets in the client's strategy without the approval of each transaction. Amerivest is not authorized to withdraw cash or securities from a client's account other than for the payment of advisory fees as described in the *Fees and Compensation* and *Custody* sections above.

Amerivest may in its discretion accept mutual funds or ETFs owned by the client into his or her TD Ameritrade Investing Accounts if the mutual funds are compatible with his or her Amerivest Mutual Fund Portfolios strategy. The compatible mutual funds or ETFs must be identical to the Amerivest Portfolios-recommended security. In the case of a compatible mutual fund, the mutual fund must be of the same share class as the recommended mutual fund, and the client represents that they have held the compatible mutual fund for at least one year or purchased the fund at net asset value. The limitations on compatible mutual funds and ETFs apply to both initial and subsequent contributions. Amerivest will assume discretion as to the compatible mutual funds or ETFs, and the client acknowledges that all or a portion of the contributed mutual funds or ETFs may be redeemed, either initially or during the course of management of his or her strategy. The client further acknowledges that there may be tax implications from the redemption, sale or exchange of the compatible securities and will be responsible for any tax liabilities that result from the transactions, and in the event that the redemption (or exchange) of compatible mutual funds would otherwise give rise to contingent deferred sales charge ("CDSC"), the client will be responsible for the CDSC.

To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, Amerivest will not assume discretion as to such securities. The client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from Amerivest. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets, and the client will be unable to invest in a strategy until the incompatible securities are removed from their TD Ameritrade Investing Account.

Use of the discount brokerage service is a condition to implementing the discretionary Amerivest Portfolios investment advice provided through Amerivest. Amerivest features TD Ameritrade as a broker to use in making securities transactions, and TD Ameritrade provides separate, dedicated brokerage accounts to facilitate tracking of client positions in Amerivest-related securities. Brokerage services provided by TD Ameritrade, Inc.

TD Ameritrade, Inc. and Amerivest Investment Management, LLC are both wholly owned subsidiaries of TD Ameritrade Holding Corporation. The discretionary transactions will be executed during daily trading windows on an individual account basis. TD Ameritrade currently charges no commissions in connection with the discretionary transactions in Amerivest Portfolios clients' associated TD Ameritrade accounts.

## Voting Client Securities

While Amerivest is an investment advisor registered with the Securities and Exchange Commission (SEC), it has no investment discretion over securities in client accounts except in connection with Amerivest Portfolios. Amerivest does not have authority over and specifically disclaims responsibility for voting proxies for securities in client accounts. Since Amerivest does not have proxy voting authority over securities in client accounts, Amerivest is not required to, and does not have, policies and procedures in place to govern the voting of proxies.

## Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.