

**DISCLOSURE BROCHURE**

**(FORM ADV, PART II)**

**AMERIVEST INVESTMENT MANAGEMENT, LLC**  
**File No. 801-55501**

**1005 NORTH AMERITRADE PLACE**  
**BELLEVUE, NEBRASKA 68005**

**December 2008**

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Amerivest Investment Management, LLC  
December 2008

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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. This information has not been approved or verified by any governmental authority. Please be advised that Amerivest will not assign its duties to you to any other party without your consent.

You need to review this information and acknowledge receipt of this brochure where indicated.  
Please print a copy of this brochure and retain it for your future reference.

## **1. Advisory Services and Fees**

Amerivest provides a variety of financial planning and advisory services to clients. Amerivest offers general financial planning services as well as asset allocation models involving index products such as Exchange Traded Funds ("ETFs") along with cash and cash equivalents. Amerivest recommends specific securities to clients as part of the asset allocation models recommended.

### **Online Amerivest**

Amerivest offers its online services through the Internet or software applications to a national clientele. Services 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 basic online service provided to retail clients of TD AMERITRADE, Inc. ("TD AMERITRADE") is sometimes referred to as Self-Directed Amerivest. In addition to that service, Amerivest also provides an online service called Amerivest Target Date Investment Portfolios. Both the Self-Directed Amerivest and the Amerivest Target Date Investment Portfolios services are described below in greater detail.

Amerivest plans to begin providing additional assistance to online Amerivest clients and prospects in December 2008 on a trial basis entailing personal advice delivery through Amerivest representatives. The representatives will be acting in an Investment Adviser Representative capacity on behalf of Amerivest and will initially be based in TD AMERITRADE branch offices in the Chicago and Atlanta areas. The Amerivest representatives will be able to help prospects become Amerivest clients. This includes helping them open the TD AMERITRADE Investing Accounts that are associated with the Amerivest service. The client discusses financial planning matters and the establishment of their initial portfolio and provides all initial transaction instructions to the Amerivest representative, who will enter them for the client through the online process. Thereafter, the client will receive the customary online service.

The Amerivest online service 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 RIA's investment decisions or the suitability of the investments for the RIA's clients.)

## **A. SERVICES PROVIDED:**

### **i. Financial Planning**

Amerivest takes personal and financial information from clients. Online clients use the Internet as the primary channel of interaction with Amerivest. 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 financial planning suggestions and recommends certain types of investment products. In the Amerivest Target Date Investment 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 then can select the one that most closely approximates the client's desired investment strategy.

The Amerivest online service is provided through interactive software, directly for most clients and indirectly for clients receiving additional assistance from an Amerivest representative. The software allows a client to explore different scenarios in connection with a financial goal, based on Amerivest's use of historical asset class performance information. 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 or 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.**

### **ii. Amerivest Asset Allocation Model Services**

Amerivest develops asset allocation models and recommends specific index products (typically ETFs) on the Amerivest platform. These models are presented as charts and tables that set forth asset classes. Amerivest uses historical performance of asset classes to design the portfolios and prepare these charts and tables. In projecting the potential future value (the "Target Value") of an amount to be invested currently, Amerivest is not reflecting the performance of actual accounts. Rather, it is estimating how well a potential portfolio may perform based on the historical performance of the asset classes (such as large capitalization stocks) the portfolio is designed to track, as measured by commonly accepted indices over a period of years.

For example, in calculating the Target Value for a balanced mix of asset classes, Amerivest will generally look to the historical return of indices such as the following: for large capitalization stocks, the Russell 1000; for mid-capitalization stocks, the Russell Midcap; for small capitalization stocks, the Russell 2000; for international developed markets stocks, the Morgan Stanley Capital International Europe, Australia, Far East Index (MSCI EAFE); for real estate, the NAREI

T-Equity index; and for bonds, the Lehman Brothers Treasury Bond Index. Amerivest then makes certain adjustments and comes up with a weighted average rate of return. Again, that rate of return is based on analysis of past results and future results may differ. Actual year-to-year performance will not be constant and there could be significant multiyear negative returns on a portfolio. **Past performance does not guarantee future results and a portfolio may lose value.**

Also, indices are not actual investments, and their performance returns have not been reduced by the various commissions and fees you might pay when trading ETFs, as well as taxes you may incur, such as from dividends or on selling ETFs. For example, the Target Value is not reduced by any fees Amerivest may charge for its service or any ETF commissions that might be charged by a broker. These fees will decrease the performance of an Amerivest-recommended portfolio. Further, the Target Value has assumed that the assets in a portfolio are rebalanced periodically and that the chosen risk profile remains constant throughout. As to the latter, it should be noted that as a client's portfolio moves closer to the selected goal date, the Amerivest service will make specific transaction recommendations with a view to lowering the risk profile. If those recommendations are accepted by the client, the potential returns from the portfolio from that point on typically would be reduced from that of the prior portfolio. As a result of recent enhancements to the Amerivest calculation engine, the assumed Target Value going forward will incorporate the assumption of a gradual shift to more conservative portfolio allocations.

The Amerivest asset allocation models are primarily impersonal in nature. There are 20 models, 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 capital preservation, stable, balanced, growth and aggressive growth. Each of those five categories has an associated assumed average annual gross return (for purposes of Amerivest's calculation of potential portfolio returns) as follows: (i) capital preservation, 6%; (ii) stable, 7%; (iii) balanced, 8%; (iv) growth, 10%; and (v) aggressive growth, 12%. In early 2008, the Amerivest asset allocation models were updated. The updated models include additional asset classes and are designed with an objective of providing better risk-return characteristics and reducing volatility. As a result, the associated assumed average gross return (for purposes of Amerivest's calculation of potential portfolio returns) is now as follows: (i) capital preservation, 6%; (ii) stable, 7%; (iii) balanced, 8%; (iv) growth, 10%; and (v) aggressive growth, 11%. Along with the updates, the online calculation engine was enhanced to incorporate the assumption of more conservative portfolios as the selected goal date approaches. The projections or other information generated by Amerivest regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

Within each of the five risk/return categories, the four associated models are structured in relation to the amount being invested, with breakpoints of (i) \$2,000 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 to be invested is, the greater the number of recommended asset classes or sub-asset classes will be. The additional asset classes are used to increase diversification and to reduce the standard deviation (risk level) of the portfolio.

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

Based on those inputs, Amerivest will select a 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. In addition, Amerivest will recommend maintenance of a relatively small cash amount, which generally will be the greater of from 1% to 10% of the total portfolio or a minimum cash buffer of \$300. The buffer both 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 Bank USA, N.A., Money Market Deposit Account (FDIC-insured). TD Bank USA, N.A. is affiliated with TD AMERITRADE, Inc. and Amerivest Investment Management, LLC through their respective parent companies. In the case of the Amerivest Target Date Investment Portfolios service, the client does not go through all the preliminary steps described above. Rather, the client is presented with information about the portfolios (selected from the 20 described above) that are targeted to the various dates and selects the portfolio that most closely approximates the client's desired investment strategy. The client is informed that from time to time Amerivest will recommend portfolio reallocations designed to reduce the portfolio risk profile as the goal date becomes closer. Clients who enter a relatively short time horizon will be recommended a more conservative portfolio regardless of risk tolerance to preserve assets.

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) to another (e.g., \$100,000 to \$499,999). Such an occurrence is classified by Amerivest as a "profile change" and leads to a new Amerivest portfolio recommendation. The client is free to accept or reject the recommendation.

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 qualified 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.

Amerivest's online 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, 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 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, 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.)

In the case of Amerivest Representatives assisting clients, at the outset the client will provide the above-described information to Amerivest Representative. The Amerivest Representative will use that information to obtain an online recommendation from Amerivest of one of Amerivest's 20 portfolios and will convey that recommendation to the client. If the client provides additional information to the Amerivest Representative that indicates the client's risk tolerance level may not have been reflected appropriately in the initial process, the Amerivest Representative is authorized to move one risk tolerance level up or down (consistent with the additional information) in making a new Amerivest portfolio recommendation to the client. Similarly, if the client feels that their risk tolerance level may not have been reflected appropriately in the initial process, the client may seek another Amerivest portfolio recommendation based on a risk tolerance level that is not more than one category up or down from that used initially. Once the client accepts a recommended portfolio and provides instructions for its purchase, the Amerivest Representative will enter the orders for the selected portfolio with Amerivest's affiliated broker-dealer, TD AMERITRADE, in a TD AMERITRADE Investing Account.

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 and similar ETFs are identified for possible alternative 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. In analyzing eligible ETFs for each asset class or sub-asset class, Amerivest takes into account each ETF's expense ratio, tracking error and liquidity. The lower the expense ratio and tracking error the better, and the higher the liquidity the better. Amerivest reviews the ETFs on its menu on a periodic basis.

Amerivest's portfolio recommendations currently consist primarily of ETFs, with the balance consisting of cash and cash equivalents. 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.

A client who has implemented Amerivest's advice through a TD AMERITRADE Investing Account (or an RIA client with a TD AMERITRADE ASA Account) can access a report summarizing the 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 in response to market fluctuations and ETF and index fund performance. 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. 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.

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, semi-annually 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 electronically in order to enable the features.

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. The feature is not available for Amerivest Target Date Investment Portfolios.

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 their portfolio to 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 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. A client using a TD AMERITRADE brokerage account to implement the asset allocation model and availing himself or herself of margin should be aware that use of margin (or borrowings) may be inconsistent with the investment advice given, and the fees and costs associated with margin loans may outweigh any profits derived from following the asset allocation advice.

To the extent that a client implements the Amerivest recommendations through his or her TD AMERITRADE brokerage account, Amerivest’s affiliate may receive commissions as a result. TD AMERITRADE currently is not charging commissions on such transactions, however. Qualified TD AMERITRADE representatives will assist in making the availability and nature of the Amerivest service known to potential clients and providing comparative information. They also will be available to discuss the output from the Amerivest interactive software and answer questions about the Amerivest service.

### **iii. Amerivest Sub-Advisory Service for TDX Independence Funds, Inc.**

In addition to the above-described services, Amerivest acts as a sub-advisor to XShares Advisors LLC (“XShares”) in connection with TDX Independence Funds, Inc. (“TDX”). TDX is a registered investment company which offers five lifecycle or target-date ETFs that are listed on the NYSE ARCA. XShares is the investment advisor to TDX. The methodology for the TDX ETFs is provided by Zacks Investment Research, Inc. pursuant to a license agreement between it and Amerivest and a sub-license agreement between Amerivest and XShares.

### **Risks Regarding Modeling**

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 and index funds, as well as concepts of modern portfolio theory. The information generated by the service is hypothetical, does not reflect actual investment results and does not guarantee future results. Amerivest’s analysis primarily focuses on 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 ETFs or index funds.

## **B. FEE STRUCTURE:**

### **i. Financial Planning**

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

### **ii. Amerivest Asset Allocation Services**

### **Online Clients**

Amerivest pricing for its online service is as follows:

Account Value	Annual Fee*
First \$100,000	.75 of one percent (75 basis points); subject to a minimum fee of the lesser of \$150 or 2.95%
Next \$400,000 (or portion thereof)	.50 of one percent (50 basis points)
Additional assets above \$500,000	.35 of one percent (35 basis points)

\*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 Self-Directed Amerivest and Amerivest Target Date Investment Portfolios is \$25,000.

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 non-compatible securities promptly. If the securities are sold, TD AMERITRADE generally will charge commissions and the sale will be on an unsolicited basis. All pricing is subject to change on reasonable notice. In addition, Amerivest reserves the right to vary pricing in connection with promotional discounts, including, without limitation, fee discounts and fee waivers for 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.



The applicable Amerivest fee will be assessed on the first trading day 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 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.

### **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 sub-advisory fee initially was calculated on the basis shown in the table above. The pricing changed to a relationship basis on May 17, 2005, and now is as follows (but may be changed on 30 days' written notice):

- Beginning as of September 30, 2007, 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 on the first day 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.

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 Amerivest representatives 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.

## **2. 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. In addition, Amerivest acts as a sub-advisor for TDX Independence Funds, Inc. as described in Section 1.A.iii.

## **3. Types of Investments**

As part of its Amerivest asset allocation program, 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") and have the flexibility of trading intra-day. 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 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.

As described in Section 1.A.iii. above, Amerivest acts as a sub-adviser in connection with TDX, the issuer of five ETFs. Amerivest does not recommend TDX ETFs in its advisory services in view of the potential for conflicts of interest.

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

#### **4. Methods of Analysis, Sources of Information and Investment Strategies**

Amerivest's securities analysis methods include charting and the use of research materials provided by third parties. In addition, Amerivest uses the following methods:

- Amerivest's securities analysis method involves using personal and financial information provided by the client and then, through the use of analytical software, making financial planning recommendations to its clients. For its Amerivest asset allocation services, Amerivest developed the software for creating models through research and personnel with quantitative analysis and portfolio management expertise.
- Information used in making the financial 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 uses historical asset class performance to design the portfolios and prepare charts and tables that set forth asset class model recommendations. The tables present both percentages and dollars. The pie chart shows the relative weighting of each asset class. The Amerivest asset allocation models have been developed based on historical performance of their associated benchmarks. After the asset allocation is determined, Amerivest primarily focuses on ETFs because they are based on a broad range of indices, including foreign equity, domestic equity and bond indices, and may provide investors with diversification, cost and tax efficiency, and liquidity.

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

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.

#### **5. Education and Business Standards**

Amerivest requires those involved in determining or providing investment advice to clients to meet certain general standards of education and business experience. With respect to persons who are involved in Amerivest's provision of advice, Amerivest requires all such individuals to have a college degree in an applicable area, or a high school degree and equivalent industry experience. In addition, Amerivest requires successful completion of any applicable examinations. Amerivest also encourages its personnel to obtain applicable professional designations.

#### **6. Education and Business Background**

**William J. Vulpis**, b. 1962, became President of Amerivest in October 2006. Mr. Vulpis joined Amerivest's ultimate parent, TD AMERITRADE Holding Corporation (the "Corporation") in October 2006 as Managing Director of the Investor Group. Prior to joining the Corporation, Mr. Vulpis spent four years as the President of Main Street Funding Corporation, a mortgage financing company. Prior to that, Mr. Vulpis held various senior management positions at Merrill Lynch & Co., Inc., most recently Director of Equity and Fixed Income Sales and Marketing in the International Private Client Group. Mr. Vulpis attended the Polytechnic Institute of New York and Executive Programs at The Wharton School of The University of Pennsylvania.



**John Bell**, b. 1965, became Vice President and Chief Operating Officer of Amerivest in October 2005. He also became the Platform Manager of the Investor Group of the Corporation in July 2005. He joined the Corporation as a Director in its Institutional Client Division in January 2003. Prior to joining the Corporation, Mr. Bell spent three years as a Product Manager with Pershing, LLC, a subsidiary of The Bank of New York Company, Inc. and NetAssets, Inc., a start-up financial software firm. Prior to NetAssets, Inc., Mr. Bell worked for 12 years at Thomson Financial in various capacities. Mr. Bell received a BA in finance from the University of Maryland in College Park, MD.

**Kevin Finn**, b. 1970, became a Vice President of Amerivest in March 2008 and became the Managing Director, Investor Services/Call Center Brokerage Operations of the Corporation in October 2007. Mr. Finn had served as Vice President of Client Delivery and most recently served as Interim Chief Information Officer. Mr. Finn was previously employed with TD Waterhouse Investor Service, Inc., where he had been employed for more than 12 years and served in a variety of roles including Senior Vice President—Long Term Investor Product Development. The Corporation bought TD Waterhouse Investor Services, Inc. in January 2006. Mr. Finn received a BA from the University of Notre Dame.

**Jon C. Peterson**, b. 1973, became Vice President and Treasurer of Amerivest in October 2005. Mr. Peterson also continues to be Director of Client Group Finance of the Corporation, a position he has held since July 2005. Since joining the firm in 1996, he has held a variety of roles, including Senior Manager in the Call Center Operations and Senior Financial Analyst within the Finance Department. Mr. Peterson received his bachelor's degree in finance from Wayne State College in Wayne, NE.

**Brian Stimpfl**, b. 1968, became a Vice President of Amerivest in September 2006. Mr. Stimpfl has served as a Managing Director of Business Solutions of TD AMERITRADE since April 2006. Mr. Stimpfl was previously Senior Vice President of Business Solutions of TD Waterhouse Investor Services, Inc., where he had been employed for more than 13 years. The Corporation bought TD Waterhouse Investor Services, Inc. in January 2006. Mr. Stimpfl holds a BS in finance from Siena College and an MBA in computer information systems from Baruch College Zicklin School of Business.

**Ivo Ivanov**, b. 1967, became Director of Portfolios for Amerivest in January 2007. He also is Director-Portfolio Management in the Investor Group of the Corporation. Mr. Ivanov has had significant responsibility for Amerivest's portfolios since joining the Corporation in 2003. Prior to joining the Corporation, Mr. Ivanov was a Vice President of Bear Stearns Asset Management, Inc., providing design, development and implementation of quantitative investment strategies used in the management of institutional and retail accounts. Mr. Ivanov received a BS in economics from Sofia, Bulgaria, a MS in mathematics and statistics from Southern Illinois University in 1995 and an MBA from Thunderbird-The Garvin School of International Management in 1997. Mr. Ivanov also obtained the CFA designation in 2001.

**Gerald Krager**, b. 1969, became Chief Compliance Officer of Amerivest in June 2007. He joined the Corporation as a Regulatory Attorney in May 2005. Prior to joining the Corporation, Mr. Krager was a registered representative of Raymond James Financial Services, Inc. Mr. Krager received his BS in business administration from Kearney State College, in Kearney, NE, and a JD from the University of Nebraska, College of Law in Lincoln, NE.

**Stephanie Giroux**, b. 1962, became a Vice President of Amerivest in November 2007. She joined TD AMERITRADE, Inc. in June 2007 as Chief Investment Strategist. She is a Chartered Financial Analyst with more than 20 years of experience in the financial services industry. Most recently, she was the Director of Global Equity Research at Fiduciary Global Advisors, a division of Franklin Resources. Her previous experience includes tenure with U.S. Trust Company and Paine Webber, Inc. (now part of UBS). Ms. Giroux received a BA in American studies from Tufts University, Medford, MA. Ms. Giroux also obtained a CFA designation in 1990.

## **7. Other Business Activities**

The principal executive officer of Amerivest, Mr. Vulpis, is principally involved in the business affairs of the Investor Group of the Corporation. That includes responsibility for Amerivest. Mr. Bell is principally involved in the business affairs of the Investor Group of the Corporation. Mr. Finn is principally involved in the business affairs of TD AMERITRADE relating to its Call Center activities. Mr. Peterson is principally involved in the financial affairs of the Corporation's Client Group. Mr. Stimpfl is principally involved in the TD AMERITRADE Institutional division of TD AMERITRADE. Messrs. Vulpis and Ivanov also are involved in the provision of Amerivest's sub-advisory service for TDX.

## **8. Other Financial Industry Activities or Affiliations**

Amerivest is a wholly-owned subsidiary of Financial Passport Inc. ("FPI"). Because FPI is a wholly-owned subsidiary of the 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.

Amerivest entered into an Intercompany Referral Agreement with TD AMERITRADE dated as of January 24, 2006 (the "TD AMERITRADE Referral Agreement"). Pursuant to that agreement, Amerivest paid TD AMERITRADE a one-time fee for each funded TD AMERITRADE Investing Account established with the assistance of TD AMERITRADE branch personnel. (See Item 13B.) The agreement was terminated as of June 15, 2006.

Neither Amerivest nor a related person is a general partner in any partnership in which Amerivest clients are solicited to invest.

## 9. Participation or Interest in Client Transactions

Amerivest's broker/dealer affiliate, TD AMERITRADE, may 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 transactions effected through TD AMERITRADE, including those to implement, rebalance or reallocate an Amerivest asset allocation model, although they are not currently being charged.

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. While Amerivest is an investment adviser registered with the Securities and Exchange Commission, it has no investment discretion over securities in client accounts. Because Amerivest lacks such investment discretion, it 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.

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. In its investment advisory capacity, TD AMERITRADE provides services with respect to (i) its Managed Assets Program ("MAP") for separately managed accounts, which has a \$100,000 minimum investment requirement, and (ii) its AdvisorDirect® advisor referral service, which generally has a \$200,000 minimum investment requirement. TD AMERITRADE's clients potentially could 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.

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 retail, Investment Consultants who are investment advisor representatives of TD AMERITRADE receive additional compensation ranging from \$400 for advised amounts of \$100,000 or more up to \$2,700 for advised amounts of \$2,000,000 or more for referring clients to advisors through AdvisorDirect. Actual payouts are multiplied by a pay-out factor 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.

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.

Amerivest prospects investing assets of an employee benefit plan subject to Title 1 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.

## 10. Conditions for Managing Accounts

The Amerivest asset allocation services are made available to brokerage clients of TD AMERITRADE. Although there are no conditions associated with receiving or following the asset allocation services, 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.

## **11. Review of Accounts**

### **A. Reviews**

#### **Online Clients**

Amerivest does not conduct regular reviews for online investment planning clients. In Self-Directed Amerivest, Amerivest will collect information from online prospects and 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. Prospects may also receive comparative information as to their current investments. An online client may request an updated plan at any time for no additional fee.

Amerivest does not conduct regular reviews for online clients using the model Amerivest asset allocation service. In Self-Directed Amerivest, 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 Investment 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.

### **B. Reports**

#### **Online Clients**

Amerivest does not provide regular reports to clients on their accounts, but by viewing their TD AMERITRADE Investing Accounts online, clients can 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.

## **12. Investment or Brokerage Discretion**

**A.** 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. However, Amerivest's affiliate, TD AMERITRADE, provides online discount brokerage to investors.

**B.** 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. Use of the discount brokerage service, however, is not a condition to receiving financial planning or to implementing investment advice provided through Amerivest except in connection with Amerivest for RIAs. 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.

## **13. Additional Compensation**

**A.** The 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. While Amerivest does not recommend specific brokers or dealers to clients, its 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, purchase products and services from it and implement the specific recommendations through it, but currently TD AMERITRADE does not charge commissions for implementing Amerivest recommendations.

**B.** Amerivest does not directly or indirectly compensate any TD AMERITRADE personnel or any unrelated parties for client referrals. It did so under the TD AMERITRADE Referral Agreement described in Item 8 above. Under that agreement, Amerivest paid TD AMERITRADE a referral fee of \$25 for each funded TD AMERITRADE Investing Account up to \$49,999.99 opened with the assistance of TD AMERITRADE branch personnel and a referral fee of \$110 for each such account of \$50,000 or more. TD AMERITRADE, could, in its sole discretion, make payments to its appropriate personnel from the referral fees it received from Amerivest. Any such referral fees were not passed on to clients referred by TD AMERITRADE in the form of higher fees to Amerivest. The TD AMERITRADE Referral Agreement was terminated on June 15, 2006.

TD AMERITRADE registered representatives, known as Investment Consultants, generally will 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 based on the amount of funding in the associated TD AMERITRADE Investing Account. The amount of the compensation range is from \$70 for amounts of \$25,000 or more up to \$2,700 for amounts of \$2,000,000 per funded referral. Actual payouts are multiplied by a pay out factor for each Investment Consultant, with the lowest such factor being 0% and the highest such factor being 150%. 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 office 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. Similar incentives apply to the AdvisorDirect service described above in Item 9.

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 which result in new funded TD AMERITRADE Investing Accounts. The bonus payment for a service transfer would be \$7.50 and that for a funded account would be \$60.

#### **14. Balance Sheet**

Amerivest has not attached a balance sheet for its most recent fiscal year because it does not have custody of client funds or securities, or require prepayment of more than \$500 in fees per client and six or more months in advance.