

DISCLOSURE BROCHURE

(FORM ADV, PART 2A)

TD AMERITRADE INVESTMENT MANAGEMENT, LLC

SEC File No. 801-55501

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December 1, 2016

This brochure provides prospective clients with information about TD Ameritrade Investment Management, LLC that should be considered before or at the time of obtaining advisory services from TD Ameritrade Investment Management, LLC. 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 TD Ameritrade Investment Management, LLC will not assign its duties to you to any other party without your consent.

Additional information about TD Ameritrade Investment Management, LLC is also available on the SEC's website at adviserinfo.sec.gov. The IARD/CRD number for TD Ameritrade Investment Management, LLC is 111514.

TD Ameritrade Investment Management, LLC is registered with the United States Securities and Exchange Commission as a Registered Investment Advisor. 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.

Summary of Material Changes

This section highlights revisions made since the last annual amendment dated December 8, 2015 to the Disclosure Brochure:

- Amerivest Investment Management, LLC changed its name to TD Ameritrade Investment Management, LLC.
- The “Amerivest Portfolios” name changed to “Selective Portfolios.”
- We added the Essential Portfolios service. See *Services Provided* for details.
- We discontinued our fee rebate offer as of October 5, 2016.
- We discontinued the Amerivest for RIAs service as of December 2016.

TD Ameritrade Investment Management, LLC

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Advisory Business

TD Ameritrade Investment Management, LLC ("TD Ameritrade Investment Management," or "we," "us," or "our") provides a variety of goal-planning and advisory services to clients. The services are: i) Self-Directed and Target Date Portfolios ("Legacy Portfolios") offering general goal-planning services, as well as advisory services using asset allocation models involving Exchange Traded Funds ("ETFs") along with cash and cash alternatives on a nondiscretionary basis. TD Ameritrade Investment Management recommends specific ETFs to clients as part of the asset allocation models recommended; ii) The TD Ameritrade Investment Management Core Mutual Fund, Core ETF, Supplemental Income, Opportunistic, and Managed Risk Portfolios services ("Selective Portfolios") with asset allocation involving ETFs or mutual funds, along with cash and cash alternatives. The Selective Portfolios are provided only on a discretionary basis; iii) The Essential Portfolios advisory service using ETFs for investors seeking a primarily online basic asset allocation discretionary service. The services are described in detail below.

We were formed in November 1997 as PFN Investment Management, LLC. TD Ameritrade Investment Management, LLC operated under the name Amerivest Investment Management, LLC from April 2003 to December 2016. TD Ameritrade Investment Management 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 41% of TD Ameritrade Holding Corporation is owned by The Toronto-Dominion Bank, a publicly traded company.

A. SERVICES PROVIDED:

i. Legacy Portfolios – General Description

In October 2011, we generally discontinued the Legacy Portfolios to new and prospective clients (which includes the Self-Directed and Target Date Portfolios). Existing Legacy Portfolios clients with accounts established on or before October 2011 were not affected by this change and can continue to receive the customary Legacy Portfolios service via the Internet as the primary channel of interaction with TD Ameritrade Investment Management.

The Legacy Portfolios services are nondiscretionary 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 Legacy Portfolios are provided to retail clients of TD Ameritrade, Inc. ("TD Ameritrade").

Legacy Portfolios are for investors who:

- (i) are self-directed and are 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.

TD Ameritrade Investment Management recommends asset allocation models utilizing specific index products (typically ETFs) on the Legacy Portfolios platform. The Legacy Portfolios service involves the use of a third-party investment advisor as a consultant to TD Ameritrade Investment Management. That consultant is Morningstar Investment Management LLC ("Morningstar Investment Management"). Under the terms of a product license and services agreement, Morningstar Investment Management provides asset allocation and investment selection services to TD Ameritrade Investment Management for a fee. In performing its services, Morningstar Investment Management may engage the services of its affiliate, Morningstar Investment Services, Inc. ("MIS"), a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Neither Morningstar Investment Management nor MIS acts in the capacity of advisor to our clients.

Morningstar Investment Management uses its proprietary qualitative and quantitative methodology to construct and recommend to TD Ameritrade Investment Management the asset allocations utilized in the Legacy Portfolios 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 Investment Management reassesses 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 TD Ameritrade Investment Management'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 Investment Management uses its proprietary qualitative and quantitative methodology to recommend to TD Ameritrade Investment Management ETFs that may be used in the portfolios. Morningstar Investment Management selects ETFs from the universe of available options made available through TD Ameritrade. It uses a scoring methodology to determine the degree to which an ETF tracks to an established index or composite of indexes, and thus enables an investor to gain exposure to that asset class. The ETFs are ranked and then reviewed by members of the Morningstar Investment Management investment team. Morningstar Investment Management revisits its methodology at least annually to ensure it is performing adequately.

TD Ameritrade Investment Management reviews the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them. The review involves verifying the inputs and risk analysis to validate that the asset allocation and securities recommendations by Morningstar Investment Management are appropriate. If we approve the recommendations, the portfolios will be updated accordingly and, because these are nondiscretionary portfolios, the client is responsible for implementing these changes.

In addition to the recommended ETFs, TD Ameritrade Investment Management recommends maintenance of a relatively small cash amount, which generally will be the greater of (i) 1% to 3% of the total portfolio or (ii) a minimum cash buffer of \$300. The buffer ensures the availability of cash for payment of our 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 TD Ameritrade Investment Management, LLC through their respective parent companies. TD Ameritrade Investment Management 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 investment 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, TD Ameritrade Investment Management 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 (defined below). Clients who enter a relatively short time horizon will be recommended a more conservative portfolio regardless of their risk tolerance.

TD Ameritrade Investment Management'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). We make no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. We are unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment. While our services are 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 TD Ameritrade Investment Management.

The client is free to accept or reject our Legacy Portfolios recommendations.

The Legacy Portfolios advisory service only takes into account and considers 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 the Legacy Portfolios asset allocation model. In addition, information TD Ameritrade Investment Management may have, or that our 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 Legacy Portfolios 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 a Legacy Portfolios asset allocation model, or make any decisions regarding implementing the model advice.

Each Legacy Portfolios client reviews the description of the investment recommendations, as well as the chart and table presenting the TD Ameritrade Investment Management 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, TD Ameritrade Investment Management's affiliated broker-dealer. To the extent that a client decides to implement our recommendations 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.

TD Ameritrade Investment Management does not exercise any discretion over Legacy Portfolios 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 Legacy Portfolios 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. For each asset class or subasset class other than cash, one ETF is selected as the recommended investment. The table that lists these funds is retained and updated by TD Ameritrade Investment Management. Research pertaining to the fundamental features of each ETF provided to the client is available through easy links on the page.

Legacy 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 especially in the event of broad market gains, well-selected individual securities may outperform ETFs.

TD Ameritrade Investment Management 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 Legacy Portfolios 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 TD Ameritrade Investment Management. 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.

A Legacy Portfolios client who has implemented our advice through a TD Ameritrade Investing 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 TD Ameritrade Investment Management asset allocation models are evaluated periodically (at a minimum annually) in response to market fluctuations and ETF and index fund performance. In following a TD Ameritrade Investment Management 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. Legacy Portfolios 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, two automatic investment features are available to Legacy Portfolios clients with TD Ameritrade Investing Accounts. Using these features, such clients 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 nondiscretionary 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 Legacy Portfolios service is intended for long-term investing rather than any form of short-term trading. Accordingly, TD Ameritrade Investment Management 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 Legacy Portfolios does not take margin into account. TD Ameritrade Investing Accounts are opened as cash accounts and margin is not available. In addition, TD Ameritrade Investment Management generally does not allow clients to fund their TD Ameritrade Investing Accounts with cash borrowed from a margin account either from another TD Ameritrade brokerage account or other broker dealer account.

To the extent that a client implements the recommendations through his or her TD Ameritrade brokerage account, TD Ameritrade Investment Management's affiliate TD Ameritrade may receive commissions as a result. TD Ameritrade is currently not charging commissions on such transactions. Please see response below at *Other Financial Industry Activities and Affiliations* of this disclosure brochure.

a. Legacy Self-Directed Details

In Legacy Portfolios Self-Directed, the information collected is used by TD Ameritrade Investment Management to create an individual personal financial profile for the client. Based upon this profile, we make a series of goal-planning suggestions and recommend certain types of investment products.

Using the interactive software created by TD Ameritrade Investment Management, each Legacy Portfolios client determines the particular investment goal, risk tolerance, and time horizon for their 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 Legacy Portfolios 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 Legacy Portfolios 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 Legacy 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, TD Ameritrade Investment Management 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 subasset 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 subcategories in relation to the amount being invested. As a client continues with TD Ameritrade Investment Management, 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 (for example, \$25,000 to \$99,999.99) to another (for example, \$100,000 to \$499,999.99). Such an occurrence is classified by TD Ameritrade Investment Management as a "profile change" and leads to a new Legacy 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 Investment Management Services Team. The client is free to accept or reject our recommendations.

Since June 2005, Legacy Portfolios clients have had the ability to create portfolios for themselves that deviate from those recommended by TD Ameritrade Investment Management. The "customization" feature allows TD Ameritrade Investment Management clients to override our 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 TD Ameritrade Investment Management's menu to implement their chosen allocations. On entering the "Customize Portfolio" feature, online clients see our originally recommended asset allocation percentages as static text along with an alternate ETF tab. They are able to select allocation percentages for each of the recommended asset classes or subclasses different from the originally recommended percentages. This, in turn, will allow for TD Ameritrade Investment Management'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 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 TD Ameritrade Investment Management. We caution 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 Legacy Target Date Investment Portfolios.

b. Legacy Target Date Investment Portfolio Details

In the Legacy 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 Legacy Target Date Portfolios service, the client does not go through all the preliminary steps as described above under Self-Directed 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 Legacy Self-Directed Portfolios, Target Date Portfolios do not have different financial levels. The same number of recommended asset classes or subasset classes will be recommended to clients regardless of the amount invested.

From time to time, TD Ameritrade Investment Management 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 Investment Management Services Team. The client has the final say to accept such a portfolio reallocation recommendation.

ii. Selective and Essential Portfolios – General Description

TD Ameritrade Investment Management provides online discretionary services known as Selective Portfolios and Essential Portfolios to retail clients of TD Ameritrade. The services are offered only on a discretionary basis that involves the continuous management of investment advisory accounts. As of September 30, 2016, TD Ameritrade Investment Management was providing discretionary advisory services to clients with approximately \$12,536,000,000 in assets. We assume all investment duties with respect to the Selective and Essential Portfolios held in the client's TD Ameritrade Investing Account and 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 strategy and according to TD Ameritrade Investment Management's investment policy for that strategy. We do not take discretion over assets that are not compatible with the Selective and Essential Portfolios strategies.

The Selective and Essential Portfolios discretionary services involve the use of Morningstar Investment Management as a consultant to TD Ameritrade Investment Management. In performing its services, Morningstar Investment Management may engage the services of its affiliate, Morningstar Investment Services, Inc. ("MIS"), a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Neither Morningstar Investment Management nor MIS acts in the capacity of advisor to our clients. Morningstar Investment Management's services to TD Ameritrade Investment Management with respect to the Selective and Essential Portfolios include but are not limited to:

1. Development of annual Capital Market Assumptions that are used to produce portfolio allocations;
2. Generation of strategic asset allocations for each approved model;
3. Selection of appropriate mutual funds and ETFs for the various portfolio models, including as to mutual fund share classes;
4. Performance of ongoing due diligence of the funds used in the model portfolios;
5. Provision of recommendations for periodic tactical changes to the portfolio models based on changing market and economic conditions;
6. Provision of periodic recommendations for adding or removing funds from the models (that is: performance concerns, fund manager departures, market exposures, tactical positioning, etc.); and
7. Production of periodic client-facing marketing materials that typically contain market and portfolio analysis.

TD Ameritrade Investment Management will recommend an appropriate strategy to Selective and Essential 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, TD Ameritrade Investment Management clients will either enter their Profile Information online or convey it to TD Ameritrade Senior Financial Consultants ("FCs") who will help prospects become TD Ameritrade Investment Management clients. Changes in the client's Profile Information may result in a new recommended strategy or strategies. The Essential Portfolios clients primarily enter their Profile Information, open their corresponding TD Ameritrade Investing Account, and monitor their portfolio electronically through an Internet/mobile application. Furthermore, clients who enter a relatively short time horizon will receive a relatively conservative portfolio recommendation regardless of their risk tolerance.

If the client wishes to use the Selective Portfolios or Essential Portfolios service, the client must authorize TD Ameritrade Investment Management to exercise discretionary trading authority over the assets dedicated to the client's selected strategy, which includes the initial allocation and ongoing rebalancing and portfolio reallocation. The discretionary authority allows TD Ameritrade Investment Management to buy, sell, or otherwise trade recommended and approved assets in the client's strategy or previously recommended TD Ameritrade Investment Management securities without prior client approval of each transaction. We are not authorized to withdraw cash or securities from the client's account other than in connection with the payment of our advisory fees as described in the *Fees and Compensation* and *Custody* sections below.

TD Ameritrade Investment Management's discretionary decisions generally are made without considering potential tax consequences to the client, but such consequences may be taken into account in connection with possible fund substitutions within the same mutual fund family. 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). We make no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. We are 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 TD Ameritrade Investment Management. See response below at *Methods of Analysis, Investment Strategies, and Risk of Loss* of this disclosure brochure.

In order to participate in the Selective Portfolios or Essential Portfolios Service, the client will need to open a dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade. 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 TD Ameritrade Investment Management 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.

In addition to the recommended funds, TD Ameritrade Investment Management will maintain a portion of the account in cash, the amount of which generally will be 1% to 3% of the total account. The cash buffer ensures the availability of cash for payment of our 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 TD Ameritrade Investment Management, LLC through their respective parent companies. (See *Client Referrals and Other Compensation* below.) TD Ameritrade Investment Management's advisory fee applies to the portion of the account maintained in cash. (See *Fees and Compensation* below.) TD Ameritrade Investment Management's advisory fee applies to the portion of the account maintained in cash. (See *Fees and Compensation* below.) TD Ameritrade Investing Accounts are opened as cash accounts rather than margin accounts and margin is not available. In addition, we generally do not allow clients to fund their TD Ameritrade Investing Accounts with cash borrowed from a margin account, whether from another TD Ameritrade brokerage account or another unrelated broker dealer account.

a. Selective Portfolios Using Mutual Fund Investments

i. Selective Core Mutual Fund Portfolios Powered by Morningstar Investment Management Details

Selective Core Mutual Fund Portfolios Powered by Morningstar Investment Management are based on the online asset allocations recommended by Morningstar Investment Management and use mutual funds as the primary investment vehicles. 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, specialty, and fixed-income mutual funds. Selective Core Mutual Fund Portfolios positions are intended to be long-term investments (a minimum investment time horizon of one year) consisting primarily of approximately 20-30 mutual funds with the balance consisting of cash and cash alternatives (approximately 1%-3%). The actual portfolio allocations from time to time may differ from the target allocations as a result of market movements or TD Ameritrade Investment Management's adjustments. The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account. The underlying mutual funds may also contain a residual cash position.

ii. Selective Supplemental Income Portfolios Powered by Morningstar Investment Management Details

The Selective Supplemental Income Portfolios Powered by Morningstar Investment Management service uses mutual funds as the primary investment vehicles. The asset allocations are based on recommendations from Morningstar Investment Management. The Supplemental Income Portfolios are 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, TD Ameritrade Investment Management has created only two models: Conservative and Moderate. The models will allocate assets among domestic equity, international, specialty, and fixed-income mutual funds with a focus on investing in income generating securities.

The Supplemental Income Portfolios positions are intended to be long-term investments (a minimum investment time horizon of one year) consisting primarily of approximately 10-20 mutual funds with the balance consisting of cash and cash alternatives (approximately 1%-3%). The actual portfolio allocations from time to time may differ from the target allocations as a result of market movements or TD Ameritrade Investment Management's adjustments. The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account. The underlying mutual funds may also contain a residual cash position.

The Supplemental Income portfolios offer investment strategies designed to provide both income and total returns while limiting your exposure to volatility. The portfolios are not cash vehicles, cash alternatives, or money market funds and are not for short-term investing (less than one year) and should not be viewed or used for these objectives. The Supplemental Income Portfolios hold equity and bond mutual funds that have risks inherent to investing in these securities, including market and credit risk, and possible loss of value as described in the *Methods of Analysis, Investment Strategies, and Risk of Loss* section below.

iii. Asset Allocations

Pursuant to an agreement and as described in *ii. Selective and Essential Portfolios—General Description* above, Morningstar Investment Management provides asset allocation and investment selection services for Selective and Essential Portfolios.

Morningstar Investment Management will use its proprietary qualitative and quantitative methodology to construct and recommend to TD Ameritrade Investment Management asset allocations for the 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. The Selective Portfolios using mutual fund investments asset allocations use a strategic asset allocation approach and generally consist of broadly diversified asset allocations that Morningstar Investment Management will reassess at least annually or more frequently as warranted by market conditions or different portfolio strategies.

TD Ameritrade Investment Management will review the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them. We may deviate from Morningstar Investment Management's recommendations: (i) for noninvestment and nonperformance related reasons such as tax considerations or reasonable client restrictions; or (ii) to the extent so required for TD Ameritrade Investment Management to fulfill its fiduciary duty to clients. Our review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Investment Management are appropriate. If we approve the recommendations, the portfolios will be updated accordingly. We will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

Morningstar Investment Management will strive to meet the asset allocation targets as closely as possible while accounting for fund-specific attributes. However, the actual allocations will fluctuate (for example, in response to changing market conditions). 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 Investment Management 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 Investment Management is not affiliated with TD Ameritrade Investment Management or TD Ameritrade. Morningstar Investment Management is a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Morningstar Investment Management provides consultancy services to TD Ameritrade Investment Management with respect to the fund allocations for the model portfolios. In performing its services, Morningstar Investment Management may engage the services of its affiliate, Morningstar Investment Services, Inc. ("MIS"), a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Neither Morningstar Investment Management nor MIS acts in the capacity of advisor to our clients. TD Ameritrade Investment Management, as licensee, will compensate Morningstar Investment Management (licensor) for its services. See response below at *Methods of Analysis, Investment Strategies, and Risk of Loss* of this disclosure brochure.

iv. Mutual Fund Recommendations

Morningstar Investment Management will provide TD Ameritrade Investment Management with initial mutual fund investment recommendations and quarterly strategy evaluations for the Selective Portfolios. Morningstar Investment Management will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide us with recommended updates to them.

Morningstar Investment Management works with TD Ameritrade to establish a set of criteria for an appropriate fund universe. The fund universe was originally based on the Premier List that Morningstar Investment Management supplies to TD Ameritrade. Through the growth of the Selective Portfolios service, the fund universe has expanded and now includes the thousands of mutual funds available on the TD Ameritrade platform. The funds are carefully screened and analyzed by Morningstar Investment Management investment consultants. Morningstar Investment Management uses a set of qualitative and quantitative factors including but not limited to risk-adjusted performance, variance of returns, tax efficiency, expenses (including as to different expense levels associated with different mutual fund share classes), style consistency, and style purity. Once the funds have been scored, Morningstar Investment Management investment consultants specializing in each fund category check the quality and consistency of management and industry events (for example, potential merger or shifts in personnel) that might impact the fund's performance. Morningstar Investment Management also considers funds that complement each other and whose underlying holdings have minimal unnecessary overlap. After Morningstar Investment Management completes its analysis, TD Ameritrade Investment Management will review the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them. Our review will involve taking steps to verify the data is reasonable in an effort to validate that the asset allocations and securities recommendations by Morningstar Investment Management are appropriate. If we approve the recommendations, the portfolios will be updated accordingly. We will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

The selected funds are generally no-load or load-waived mutual funds available on the TD Ameritrade platform. The classes of these funds may include retail, institutional, or other share classes, depending on the applicable mutual fund and TD Ameritrade's agreement with the particular mutual fund or its service providers. Retail classes of mutual funds may be more expensive than institutional share classes of the same mutual funds because they include various fees and expenses related to the share class (for example, distribution, shareholder servicing, and other fees and expenses) that may not be borne by the other classes. These added fees and expenses may include fees and expenses that are paid to TD Ameritrade or other of TD Ameritrade Investment Management's affiliates, including 12b-1 and other service-related fees (collectively "service-related fees"). Receipt of such fees and expenses poses a potential conflict of interest, which we seek to address by, among other things, applying a Fee Credit (discussed in more detail below) designed to put clients whose accounts are invested in retail or other more expensive classes of mutual funds in the same or better position than had their accounts been invested in institutional or other lower cost classes without the Fee Credit.

TD Ameritrade Investment Management will attempt to obtain waivers of short-term redemption fees and purchase minimums where possible, as well as access to lower expense share classes, where available. We will attempt to ensure that the lowest expense share class available to our clients on the TD Ameritrade platform is being selected. If a selected mutual fund has a lower expense share class that is available to TD Ameritrade Investment Management clients, we will select it for use in the Selective Portfolios, so long as we determine the share class is suitable for our clients. Selecting a lower expense share class helps to reduce the amount of service-related fees charged by the mutual funds to our clients.

In some cases, however, the less expensive share class may not be suitable or available to TD Ameritrade Investment Management clients. To compensate for any added fees and expenses of retail share classes (as noted in the *Fees and Compensation and Other Financial Industry Activities and Affiliations* sections below), we provide a 35 basis points Fee Credit that reduces the Gross Annual Advisory Fee for portfolios using mutual fund investments. The purpose of the Fee Credit is to put clients whose accounts are invested in retail or other more expensive classes of mutual funds in the same or better position than had their accounts been invested in institutional or other lower cost classes without the Fee Credit. Specifically, the Fee Credit reduces the Gross Annual Advisory Fee by at least (but typically in excess of) the amount of (i) service-related fees received from the underlying mutual funds by TD Ameritrade and its affiliates as a result of servicing the mutual funds used in the Selective Portfolios, and (ii) any share class expense differentials between the classes used and the lowest cost share classes available.

Because the Fee Credit is applied on a uniform basis points basis (compared with a dollar-for-dollar basis that reflects compensation received by TD Ameritrade Investment Management affiliates), we may have financial incentives to invest client assets in mutual funds and share classes that pay TD Ameritrade Investment Management or its affiliates compensation. We seek to address these potential conflicts in various ways, including by engaging an independent fiduciary, Morningstar Investment Management, to provide advice and recommendations on mutual funds and share class alternatives, tasking the TD Ameritrade Investment Management investment committee with overall responsibility in mutual fund and share class decisions and providing that committee with operational autonomy to make these decisions without regard to compensation received by TD Ameritrade Investment Management or its affiliates. Further, we seek to mitigate conflicts associated with TD Ameritrade and its affiliates receiving service-related fees from mutual funds in which our clients are invested by ensuring that the Fee Credit equals or exceeds the actual amount of service-related fees received.

TD Ameritrade Investment Management may, in its discretion, accept mutual funds owned by the client into his or her TD Ameritrade Investing Accounts if the mutual funds were previously recommended by us. We may accept and use a compatible mutual fund in the client's portfolio, even if the mutual fund share is of a different share class than the share class of the mutual fund approved for use in the Selective Portfolios service. For example, if a client transfers in a retail share class mutual fund and TD Ameritrade Investment Management uses a lower expense share class of the same mutual fund, we may retain the retail share class of the mutual fund in the client's portfolio. Accepting the retail share class mutual fund will benefit clients as they will be able to invest in their portfolio more quickly. In addition, it may help reduce potential tax liabilities from selling the retail class shares and then buying the lower expense share class. On a periodic basis, TD Ameritrade Investment Management will review client accounts that transferred in different share classes of compatible mutual funds and will convert share classes to the approved share class where we believe doing so would be beneficial to the client (for example to help lower the client's expenses). The limitations on compatible mutual funds contained in this paragraph apply to both initial and subsequent contributions. TD Ameritrade Investment Management 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 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. Requests for systematic withdrawals that may invade principal by going beyond dividend and interest income will be reviewed and we reserve the right to not accept the request.

Furthermore, if the client's account falls below \$10,000 as a result of taking systematic withdrawals, the client acknowledges that TD Ameritrade Investment Management retains the right to cancel the client's systematic withdrawal 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.

TD Ameritrade Investment Management also reserves the right to accept ETFs that were previously recommended for a portfolio. In such cases, the client grants TD Ameritrade Investment Management discretion to liquidate the ETFs and invest the proceeds in the client's selected Core Mutual Fund 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.

v. Incompatible Securities

To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, TD Ameritrade Investment Management 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 us. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Clients also have the option to grant TD Ameritrade time and price discretion to liquidate incompatible securities. 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. If the client's TD Ameritrade Investing Account has a cash balance equal or greater than \$10,000, TD Ameritrade Investment Management may enter the transactions to implement the client's selected portfolio using the available cash balance and work with the client to promptly remove the incompatible securities. We do not charge advisory fees on incompatible securities in the client's TD Ameritrade Investing Account. See response below at *Fees and Compensation* of this disclosure brochure.

vi. Placement of Trades

In order to begin placing trades for a client's account, the client's TD Ameritrade Investing Account application (including related forms) and other required paperwork must first be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in the amount at or above \$10,000, the recommended trades will be placed in the account during the next trading window (TD Ameritrade Investment Management intends to enter the transactions with TD Ameritrade Clearing, Inc. 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: 1) significant market losses or gains (generally based on important economic news), 2) significant trading volume, or 3) when clients may receive a price advantage, we reserve the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve 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 we determine 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. Selective Portfolios Using Exchange Traded Funds ("ETF") Investments

i. Selective Core ETF Portfolios Powered by Morningstar Investment Management Details

The Selective Core ETF Portfolios are similar to the Selective Core Mutual Fund Portfolios as to asset allocations but use ETFs as the primary investment vehicle. The Selective Core 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 Selective Core Mutual Fund Portfolios, the Selective Core ETF Portfolios are based on the online asset allocations recommended by Morningstar Investment Management. The portfolio models are called: Conservative, Moderate, Moderate Growth, Growth, and Aggressive. In each model, the service allocates assets among domestic equity, international, specialty, and fixed-income ETFs. Selective Core 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 actual portfolio allocations from time to time may differ from the target allocations as a result of market movements or TD Ameritrade Investment Management's adjustments. The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account.

ii. Opportunistic Portfolios Powered by Morningstar Investment Management Details

The Opportunistic Portfolios seek long-term growth with a more tactically managed investment approach. They are designed for clients who may be more aggressive investors or prefer a more active portfolio as a complement to other investment strategies.

Unlike the portfolios described above that use a strategic asset allocation method, the Opportunistic Portfolios use a tactical investment approach with an additional equity sector rotation strategy. Strategic asset allocations generally consist of broadly diversified asset allocations that are reassessed at least annually or more frequently as warranted by market conditions or different portfolio strategies. The Opportunistic Portfolios use a tactical asset allocation method with more defined asset classes, and generally involve a more active portfolio management strategy to pursue short-term opportunities in different sectors or countries based on changes in the market.

Similar to the strategic portfolios, the Opportunistic Portfolios utilize diversified asset allocations recommended by Morningstar Investment Management including asset classes, such as domestic equity, international, alternative, and fixed income. However, since the Opportunistic Portfolios have a tactical investment approach, there is a wider diversity of asset classes with industry sectors compared to the strategic portfolios. The expanded asset classes allow for tactical shifts (reallocating). This allows for reallocating assets into sectors with potential larger returns and decreasing assets in sectors with lower potential opportunities. The goal of a tactical portfolio is to outperform relative to a comparison benchmark.

Due to the more aggressive nature of the portfolios, TD Ameritrade Investment Management has created only two models: Moderate Growth and Aggressive. The portfolios are typically expected to be rebalanced or reallocated monthly. Since strategies using a tactical approach have more frequent trading, they may also have greater tax implications for taxable portfolios.

The Opportunistic Portfolios use ETFs as the primary investment vehicle. Opportunistic Portfolio positions consist primarily of approximately 20-30 ETFs with the balance consisting of cash and cash alternatives (approximately 2%). The actual portfolio allocations from time to time may differ from the target allocations as a result of market movements or TD Ameritrade Investment Management's adjustments. There is one ETF recommended for each asset class although this is not a requirement. The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account.

iii. Asset Allocations

Pursuant to an agreement, and as described in *ii. Selective and Essential Portfolios—General Description* above, Morningstar Investment Management will provide asset allocation and investment selection services to TD Ameritrade Investment Management. Morningstar Investment Management provides consulting services to TD Ameritrade Investment Management but is not acting in the capacity of advisor to individual investors.

Morningstar Investment Management will use its proprietary qualitative and quantitative methodology to construct and recommend to TD Ameritrade Investment Management the same asset allocations for the portfolios. The Selective Core ETF Portfolios asset allocation methodology is based on risk and return parameters relying on historic, current, and forecasted data, and on implied risk and return estimates. The Selective Core ETF Portfolios asset allocations use a strategic asset allocation approach and generally consist of broadly diversified asset allocations that Morningstar Investment Management will reassess at least annually or more frequently as warranted by market conditions or different portfolio strategies. Morningstar Investment Management will provide TD Ameritrade Investment Management with initial ETF recommendations and, at a minimum, annual strategy evaluations including reviewing the asset allocation and ETFs utilized. Morningstar Investment Management may also review the model portfolios quarterly (or more frequently) as warranted by market conditions and may provide us with recommended updates to the portfolios.

With the Opportunistic Portfolios, Morningstar Investment Management performs a qualitative calculation which is a fundamental analysis of the global markets. Next, they perform qualitative calculations to determine the momentum/volatility of the whole equity market and each asset class. Finally, they review the fundamental dynamic asset allocation which determines the overall equity and fixed income changes. The calculations produce the adjustments to the portfolios. Morningstar Investment Management will provide TD Ameritrade Investment Management with initial ETF recommendations and, at a minimum, monthly strategy evaluations including reviewing the asset allocation and ETFs utilized. Morningstar Investment Management reviews the model portfolios monthly (or more frequently) as warranted by market conditions and may provide us with recommended updates to the portfolios. We will review the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them.

TD Ameritrade Investment Management will review the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them. We may deviate from Morningstar Investment Management's recommendations: (i) for noninvestment and nonperformance related reasons such as tax considerations or reasonable client restrictions; or (ii) to the extent so required for TD Ameritrade Investment Management to fulfill its fiduciary duty to clients. Our review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Investment Management are appropriate. If we approve the recommendations, the portfolios will be updated accordingly. We 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 Investment Management uses to select ETFs is similar to that of mutual funds. Morningstar Investment Management analyzes the ETFs available through TD Ameritrade. In making the ETF recommendations, however, Morningstar Investment Management puts a greater focus on evaluating the particular risk characteristics of ETFs (such as trading volume, liquidity, and discounts). Morningstar Investment Management 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.

TD Ameritrade Investment Management 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. We reserve the right to accept and utilize in the client's portfolio ETFs that were previously recommended by us. This may result in TD Ameritrade Investment Management maintaining different sets of ETFs in client portfolios. For example, if a client was in a Self-Directed Portfolio and switched to a Selective Core ETF Portfolio and moved previously recommended ETFs from his Self-Directed Portfolio to the new Core ETF Portfolio, TD Ameritrade Investment Management may retain the ETFs if they are valid for the new portfolio even though the ETF may not be the number one ranked ETF for the asset class. Maintaining previously recommended ETFs in the new Core ETF Portfolio may be a benefit to the client as it may reduce potential tax liabilities. The limitations on compatible and previously recommended ETFs contained in this paragraph apply to both initial and subsequent contributions. We 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. In cases where the client transfers into their TD Ameritrade Investment Account two or more compatible ETFs that are appropriate for a single asset class, we will retain the higher ranked ETF for the asset class and the lower ranked ETFs will be liquidated and rebalanced accordingly. 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.

iv. Incompatible Securities

To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, TD Ameritrade Investment Management 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 us. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Clients also have the option to grant TD Ameritrade time and price discretion to liquidate incompatible securities. 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. If the client's TD Ameritrade Investing Account has a cash balance equal or greater than \$10,000, we may enter the transactions to implement the client's selected portfolio using the available cash balance and work with the client to promptly remove the incompatible securities. We do not charge advisory fees on incompatible securities in the client's TD Ameritrade Investing Account.

v. ETF Transactions

In order to begin placing trades for a client's account, the client's TD Ameritrade Investing Account application (including related forms) and other required paperwork must first be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in the amount at or above \$10,000, the recommended trades will be placed in the account during the next trading window. (TD Ameritrade Investment Management 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). We will aggregate orders of recommended purchases and sells and enter the orders with TD Ameritrade Clearing, Inc. (See response below at *Brokerage Practices* of this disclosure brochure.)

However, in certain market conditions such as: 1) significant market losses or gains (generally based on important economic news), 2) significant trading volume, or 3) when clients may receive a price advantage, we reserve the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve 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 we determine 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. We also reserve the right to execute ETF transactions using market orders per client request or extenuating circumstances lead to an account missing a trading window. For example, when a client requests an immediate liquidation and distribution from an account after the daily trading window has closed and before the next trading day.

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 invade principal will be reviewed and we reserve the right to not accept the request. Furthermore, if the client's account falls below \$10,000 as a result of taking systematic withdrawals, the client acknowledges that TD Ameritrade Investment Management retains the right to cancel the client's systematic withdrawal 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.

c. Managed Risk Portfolio Powered by Morningstar Investment Management

i. Details

The Managed Risk Portfolio Powered by Morningstar Investment Management service uses mutual funds as the primary investment vehicles. The asset allocations and mutual fund selections are based on recommendations from Morningstar Investment Management. The portfolio is designed for investors seeking relatively consistent growth and preservation of capital rather than maximization of returns.

The Managed Risk Portfolio service seeks to limit portfolio volatility in an effort to provide protection against declines in the equity markets. The service seeks to pursue this goal by investing in selected mutual funds that, when combined in a single portfolio, are expected to provide the desired volatility characteristics and return expectations. The service seeks to provide diversified exposures across asset classes, geographies, economic sectors, and time horizons. The service is not designed to outperform stocks and bonds in strong markets. There is no guarantee the underlying mutual funds will achieve positive returns or that the service's objectives will be achieved.

The strategy seeks mutual funds that directly or indirectly (through other mutual funds) invest in a variety of exchange traded financial instruments, including but not limited to:

1. Stocks
2. Bonds
3. Commodities
4. Derivatives
5. Cash

The strategy may also use a wide variety of mutual funds that use nontraditional investment strategies, including but not limited to the following:

1. Long-only
2. Long-short
3. Merger Arbitrage
4. Convertible Arbitrage
5. Tactical asset allocation
6. Managed Futures
7. Multistrategy
8. Commodities
9. Multisector fixed income
10. Risk parity

The Managed Risk Portfolio service is intended for long-term investors (a minimum investment time horizon of one year). The portfolio will consist primarily of between 5 and 15 mutual funds, with the balance consisting of cash and cash alternatives (generally 1%-3%). The actual portfolio allocations from time-to-time may differ from the target allocations as a result of market movements or TD Ameritrade Investment Management's adjustments pursuant to Morningstar Investment Management's recommendations. The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account. The underlying mutual funds may also contain a residual cash position. Some of the mutual funds used in the portfolio will invest in affiliated funds rather than underlying individual securities. Some of the portfolio funds and some of the funds they invest in will be "nondiversified." That means they may invest in a small number of issuers, sectors, or locations, making them more susceptible to risks affecting such areas of concentration than a more diversified fund might be.

The Managed Risk Portfolio service is not a cash vehicle, cash alternative, or money market fund equivalent and is not for short-term investing (less than one year). It should not be viewed or used for these objectives.

The mutual funds used in the Managed Risk Portfolio service invest in securities (including mutual funds) and strategies with inherent risks, including market, credit, geographical, and derivatives risk. The funds entail possible loss of value as described in the *Methods of Analysis, Investment Strategies, and Risk of Loss* section below.

ii. Asset Allocations

Pursuant to an agreement and as described in *ii. Selective and Essential Portfolios—General Description* above, Morningstar Investment Management provides asset allocation and investment selection services the portfolios. Morningstar Investment Management will use its proprietary qualitative and quantitative methodology to construct and recommend to TD Ameritrade Investment Management asset allocations and funds for the portfolios. As described above, the Managed Risk Portfolio service uses an “absolute return” strategy designed to limit volatility and provide diversified exposure across geographies, sectors, and time horizons. The strategy seeks mutual funds with a lower correlation to the equity market (funds that do not move in lockstep with the market). Combining funds that perform differently than the market may help to boost overall (absolute) returns while reducing risk.

TD Ameritrade Investment Management will review the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them. We may deviate from Morningstar Investment Management's recommendations: (i) for noninvestment and nonperformance related reasons such as tax considerations or reasonable client restrictions; or (ii) to the extent so required for TD Ameritrade Investment Management to fulfill its fiduciary duty to clients. Our review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Investment Management are appropriate. If we approve the recommendations, the portfolios will be updated accordingly. We will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

Morningstar Investment Management is a registered investment advisor and wholly owned subsidiary of Morningstar, Inc.

Morningstar Investment Management provides consultancy services to TD Ameritrade Investment Management with respect to the fund allocations for the model portfolios, but is not acting in the capacity of advisor to individual investors. In performing its services, Morningstar Investment Management may engage the services of its affiliate, Morningstar Investment Services, Inc. (“MIS”), a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Neither Morningstar Investment Management nor MIS acts in the capacity of advisor to TD Ameritrade Investment Management's clients.

TD Ameritrade Investment Management, as licensee, will compensate Morningstar Investment Management (licensor) for its services. See response below at *Methods of Analysis, Investment Strategies, and Risk of Loss* of this disclosure brochure.

iii. Mutual Fund Recommendations

Morningstar Investment Management will provide TD Ameritrade Investment Management with initial mutual fund investment recommendations and quarterly strategy evaluations for the portfolios. Morningstar Investment Management will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide us with recommended updates to them.

Morningstar Investment Management works with TD Ameritrade to establish a set of criteria for an appropriate fund universe. The fund universe includes the thousands of mutual funds available on the TD Ameritrade platform. The funds are carefully screened and analyzed by Morningstar Investment Management investment consultants. Morningstar Investment Management uses a set of qualitative and quantitative factors including but not limited to risk adjusted performance, variance of returns, tax efficiency, expenses (including as to different expense levels associated with different mutual fund share classes), style consistency, and style purity. Once the funds have been scored, Morningstar Investment Management investment consultants specializing in each fund category check the quality and consistency of management and industry events (for example, potential merger or shifts in personnel) that might impact the fund's performance. Morningstar Investment Management also considers funds that complement each other and whose underlying holdings have minimal unnecessary overlap. After Morningstar Investment Management completes its analysis, TD Ameritrade Investment Management will review the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them. Our review will involve taking steps to verify the data is reasonable in an effort to validate that the asset allocations and securities recommendations by Morningstar Investment Management are appropriate. If we approve the recommendations, the portfolios will be updated accordingly. We will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

The selected funds are generally no-load or load-waived mutual funds available on the TD Ameritrade platform. The classes of these funds may include retail, institutional, or other share classes, depending on the applicable mutual fund and TD Ameritrade's agreement with the particular mutual fund or its service providers. Retail classes of mutual funds may be more expensive than institutional share classes of the same mutual funds because they include various fees and expenses related to the share class (for example, distribution, shareholder servicing, and other fees and expenses) that may not be borne by the other classes. These added fees and expenses may include fees and expenses that are paid to TD Ameritrade or other of TD Ameritrade Investment Management's affiliates, including 12b-1 and other service-related fees (collectively “service-related fees”). Receipt of such fees and expenses poses a potential conflict of interest, which we seek to address by, among other things, applying a Fee Credit (discussed in more detail below) designed to put clients whose accounts are invested in retail or other more expensive classes of mutual funds in the same or better position than had their accounts been invested in institutional or other lower cost classes without the Fee Credit.

TD Ameritrade Investment Management will attempt to obtain waivers of short-term redemption fees and purchase minimums where possible, as well as access to lower expense share classes, where available. We will attempt to ensure that the lowest expense share class available to our clients on the TD Ameritrade platform is being selected. If a selected mutual fund has a lower expense share class that is available to our clients, we will select it for use in the portfolios, so long as we determine the share class is suitable for our clients. Selecting a lower expense share class helps to reduce the amount of service-related fees charged by the mutual funds to our clients.

In some cases, however, the less expensive share class may not be suitable or available to our clients. To compensate for any added fees and expenses of retail share classes (as noted in the *Fees and Compensation and Other Financial Industry Activities and Affiliations* sections below), we provide a 35 basis points Fee Credit that reduces the Gross Annual Advisory Fee for portfolios using mutual fund investments. The purpose of the Fee Credit is to put clients whose accounts are invested in retail or other more expensive classes of mutual funds in the same or better position than had their accounts been invested in institutional or other lower cost classes without the Fee Credit. Specifically, the Fee Credit reduces the Gross Annual Advisory Fee by at least (but typically in excess of) the amount of (i) service-related fees received from the underlying mutual funds by TD Ameritrade and its affiliates as a result of servicing the mutual funds used in the Selective Portfolios, and (ii) any share class expense differentials between the classes used and the lowest cost share classes available.

Because the Fee Credit is applied on a uniform basis points basis (compared with a dollar-for-dollar basis that reflects compensation received by TD Ameritrade Investment Management affiliates), we may have financial incentives to invest client assets in mutual funds and share classes that pay TD Ameritrade Investment Management or its affiliates compensation. We seek to address these potential conflicts in various ways, including by engaging an independent fiduciary, Morningstar Investment Management, to provide advice and recommendations on mutual funds and share class alternatives, tasking the TD Ameritrade Investment Management investment committee with overall responsibility in mutual fund and share class decisions and providing that committee with operational autonomy to make these decisions without regard to compensation received by TD Ameritrade Investment Management or its affiliates. Further, we seek to mitigate conflicts associated with TD Ameritrade and its affiliates receiving service-related fees from mutual funds in which our clients are invested by ensuring that the Fee Credit equals or exceeds the actual amount of service related fees received.

TD Ameritrade Investment Management may, in its discretion, accept mutual funds owned by the client into his or her TD Ameritrade Investing Accounts if the mutual funds were previously recommended by us. We may accept and use a compatible mutual fund in the client's portfolio, even if the mutual fund share is of a different share class than the share class of the mutual fund approved for use in the Selective Portfolios service. For example, if a client transfers in a retail share class mutual fund and TD Ameritrade Investment Management uses a lower expense share class of the same mutual fund, we may retain the retail share class of the mutual fund in the client's portfolio. Accepting the retail share class mutual fund will benefit clients as they will be able to invest in their portfolio more quickly. In addition, it may help reduce potential tax liabilities from selling the retail class shares and then buying the lower expense share class. On a periodic basis, TD Ameritrade Investment Management will review client accounts that transferred in different share classes of compatible mutual funds and will convert share classes to the approved share class where we believe doing so would be beneficial to the client (for example to help lower the client's expenses). The limitations on compatible mutual funds contained in this paragraph apply to both initial and subsequent contributions. TD Ameritrade Investment Management 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 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. Requests for systematic withdrawals that may invade principal by going beyond dividend and interest income will be reviewed and we reserve the right to not accept the request.

Furthermore, if the client's account falls below \$10,000 as a result of taking systematic withdrawals, the client acknowledges that TD Ameritrade Investment Management retains the right to cancel the client's systematic withdrawal 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.

TD Ameritrade Investment Management also reserves the right to accept ETFs that were previously recommended for a portfolio. In such cases, the client grants TD Ameritrade Investment Management discretion to liquidate the ETFs and invest the proceeds in the client's selected Managed Risk 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.

iv. Incompatible Securities

To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, TD Ameritrade Investment Management 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 us. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Clients also have the option to grant TD Ameritrade time and price discretion to liquidate incompatible securities. 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. If the client's TD Ameritrade Investing Account has a cash balance equal or greater than \$10,000, we may enter the transactions to implement the client's selected portfolio using the available cash balance and work with the client to promptly remove the incompatible securities. We do not charge advisory fees on incompatible securities in the client's TD Ameritrade Investing Account. See response below at *Fees and Compensation* of this disclosure brochure.

v. Placement of Trades

In order to begin placing trades for a client's account, the client's TD Ameritrade Investing Account application (including related forms) and other required paperwork must first be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in the amount at or above \$10,000, the recommended trades for the portfolios will be placed in the account during the next trading window (TD Ameritrade Investment Management 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: 1) significant market losses or gains (generally based on important economic news), 2) significant trading volume, or 3) when clients may receive a price advantage, we reserve the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve 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 we determine 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.

d. Essential Portfolios— General Description

i. Details

The Essential Portfolios is a discretionary advisory service. The Essential Portfolios are offered electronically via the Internet as the primary channel of interaction with TD Ameritrade Investment Management. Accordingly, Essential Portfolios clients need Internet access for activities such as monitoring their portfolio, updating their Profile Information, conducting cash and securities transfers, communicating with the Investment Management

Services Team. Essential Portfolios clients agree to receive notices including disclosure brochures, regulatory communications, and other materials electronically in lieu of paper communications. The communications will be delivered electronically to the email address provided on the client's TD Ameritrade Investing Account application. The Essential Portfolios service uses ETFs as the sole investment vehicles. 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.

The Essential Portfolios are based on asset allocations recommended by Morningstar Investment Management. The portfolio models are: Conservative, Moderate, Moderate Growth, Growth, and Aggressive. In each model, the service allocates assets among domestic equity, international equity, emerging markets, domestic, and international fixed income ETFs. TD Ameritrade Investment Management will recommend one ETF for each of the five asset classes, with the balance consisting of cash and cash alternatives (approximately 1%-3%). In comparison, the Selective Core ETF Portfolios utilize additional asset classes and consist of approximately 15-25 ETFs. The Essential Portfolios are intended to be long-term investments (a minimum investment time horizon of one year). The actual portfolio allocations from time to time may differ from the target allocations as a result of market movements or TD Ameritrade Investment Management's adjustments. The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account.

ii. Asset Allocations

Pursuant to an agreement, and as described in *ii. Selective and Essential Portfolios - General Description* above, Morningstar Investment Management will provide asset allocation and investment selection services to TD Ameritrade Investment Management. Morningstar Investment Management provides consulting services to TD Ameritrade Investment Management but is not acting in the capacity of advisor to individual investors.

Morningstar Investment Management will use its proprietary qualitative and quantitative methodology to construct and recommend to TD Ameritrade Investment Management the same asset allocations for the portfolios. The Essential Portfolios asset allocation methodology is based on risk and return parameters relying on historic, current, and forecasted data, and on implied risk and return estimates. The asset allocations use a strategic asset allocation approach and generally consist of broadly diversified asset allocations that Morningstar Investment Management will reassess at least annually or more frequently as warranted by market conditions or different portfolio strategies. Morningstar Investment Management will provide TD Ameritrade Investment Management with initial ETF recommendations and, at a minimum, annual strategy evaluations including reviewing the asset allocation and ETFs utilized. Morningstar Investment Management may also review the model portfolios quarterly (or more frequently) as warranted by market conditions and may provide us with recommended updates to the portfolios.

TD Ameritrade Investment Management will review the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them. We may deviate from Morningstar Investment Management's recommendations: (i) for noninvestment and nonperformance related reasons such as tax considerations or reasonable client restrictions; or (ii) to the extent so required for TD Ameritrade Investment Management to fulfill its fiduciary duty to clients. Our review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Investment Management are appropriate. If we approve the recommendations, the portfolios will be updated accordingly. We 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 Investment Management uses to select ETFs is similar to the one it uses for mutual funds. Morningstar Investment Management analyzes the ETFs available through TD Ameritrade. In making the ETF recommendations, however, Morningstar Investment Management puts a greater focus on evaluating the particular risk characteristics of ETFs (such as trading volume, liquidity, and discounts). Morningstar Investment Management 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.

TD Ameritrade Investment Management 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. We reserve the right to accept and utilize in the client's portfolio ETFs that were previously recommended by us. This may result in TD Ameritrade Investment Management maintaining different sets of ETFs in client portfolios. For example, if a client was in a Self-Directed Portfolio and switched to an Essential Portfolio and moved previously recommended ETFs from a Self-Directed Portfolio to the new Essential Portfolio, TD Ameritrade Investment Management may retain the ETFs if they are valid for the new portfolio even though the ETF may not be the number one ranked ETF for the asset class. Maintaining previously recommended ETFs in the new Essential Portfolio may be a benefit to the client as it may reduce potential tax liabilities. The limitations on compatible and previously recommended ETFs contained in this paragraph apply to both initial and subsequent contributions. We 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. In cases where the client transfers into their TD Ameritrade Investment Account two or more compatible ETFs that are appropriate for a single asset class, we will retain the higher ranked ETF for the asset class and the lower ranked ETFs will be liquidated and rebalanced accordingly. 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.

iii. Incompatible Securities

To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, TD Ameritrade Investment Management 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 TD Ameritrade Investment Management. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Clients also have the option to grant TD Ameritrade time and price discretion to liquidate incompatible securities. 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. If the client's TD Ameritrade Investing Account has a cash balance equal or greater than \$4,000, we may enter the transactions to implement the client's portfolio using the available cash balance and work with the client to promptly remove the incompatible securities. We do not charge advisory fees on incompatible securities in the client's TD Ameritrade Investing Account.

iv. ETF Transactions

In order to begin placing trades for a client's Essential Portfolio, the client's TD Ameritrade Investing Account application (including related forms) and other required forms must first be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in the amount at or above \$4,000, the recommended trades will be placed in the account during the next trading window. (TD Ameritrade Investment Management 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). We will aggregate orders of recommended purchases and sells and enter the orders with TD Ameritrade Clearing, Inc. (See response below at Brokerage Practices of this disclosure brochure.)

However, in certain market conditions such as: 1) significant market losses or gains (generally based on important economic news), 2) significant trading volume, or 3) when clients may receive a price advantage, we reserve the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve 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 we determine 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. We also reserve the right to execute ETF transactions using market orders per client request or extenuating circumstances lead to an account missing a trading window. For example, when a client requests an immediate liquidation and distribution from an account after the daily trading window has closed and before the next trading day.

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 invade principal will be reviewed and we reserve the right to not accept the request. Furthermore, if the client's account falls below \$4,000 as a result of taking systematic withdrawals, the client acknowledges that TD Ameritrade Investment Management retains the right to cancel the client's systematic withdrawal 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.

Fees and Compensation

i. Financial Planning

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

ii. Legacy Portfolios

TD Ameritrade Investment Management pricing for its Legacy Portfolios (Self-Directed and Target Date Portfolios) is as follows:

Account Value	Annual Advisory Fee*
First \$250,000	1.00%
Next \$250,000 (or portion thereof)	0.70%
Additional assets above \$500,000	0.55%

*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 and Target Date Portfolios is \$25,000.

All pricing is subject to change on reasonable notice. Please note that TD Ameritrade Investment Management's advisory fees may be waived, in whole or in part, at the sole discretion of TD Ameritrade Investment Management, including in connection with promotional efforts and special pricing arrangements. 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. We also reserve the right to negotiate pricing in individual circumstances for clients with large accounts or multiple accounts, not assess the minimum annual fee in certain circumstances, provide offers to new and prospective clients and may grandfather the annual advisory fee of pre-existing advisory relationships. We also reserves the right to waive advisory fees for accounts with an account value of \$1,000 or less. All pricing is subject to change on reasonable notice.

The applicable advisory fee will be assessed at the beginning of each quarter, in advance for that quarter. If a client has chosen to implement TD Ameritrade Investment Management'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, TD Ameritrade Investment Management 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, we will refund to the client the unearned portion of the previously collected fee. Also, if a TD Ameritrade Investment Management client closes their related TD Ameritrade account within five business days of opening it, we will promptly refund the fee paid in full.

The above pricing is in the context of clients who deal directly with TD Ameritrade Investment Management and TD Ameritrade. We reserve the right to provide its services to other types of clients (such as participants in 401(k) plans) and in other contexts. We also reserve the right to vary our 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 their selected TD Ameritrade Investment Management portfolio 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.

Advisory fees are not charged if the related TD Ameritrade Investing Account is temporarily holding incompatible securities or if the account is in all cash.

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 TD Ameritrade Investment Management advisory fee.

iii. Selective Portfolios Using Mutual Fund Investments

a. Core Mutual Fund Portfolios Fee Schedule

Account Value	Gross Annual Advisory Fee	Fee Credit Amount¹	Net Annual Advisory Fee²
First \$250,000	1.35%	0.35%	1.00%
Next \$250,000 (or portion thereof)	1.05%	0.35%	0.70%
Additional assets above \$500,000	0.90%	0.35%	0.55%

b. Supplemental Income Portfolios Fee Schedule

Account Value	Gross Annual Advisory Fee	Fee Credit Amount¹	Net Annual Advisory Fee²
First \$100,000	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%

c. Managed Risk Portfolio Fee Schedule

Account Value	Gross Annual Advisory Fee	Fee Credit Amount¹	Net Annual Advisory Fee²
First \$250,000	1.35%	0.35%	1.00%
Next \$250,000 (or portion thereof)	1.05%	0.35%	0.70%
Additional assets above \$500,000	0.90%	0.35%	0.55%

1. TD Ameritrade Investment Management generally selects the lowest expense share class available to our clients on the TD Ameritrade platform. Selecting a lower expense share class helps to reduce the amount, if any, of 12b-1 and other service-related fees (collectively, "service related fees") charged by the mutual funds to our clients. In some cases, however, the less expensive share class may not be suitable or available to TD Ameritrade Investment Management clients. To compensate for the added fees and expenses of more expensive share classes, we provide a 35 basis points Fee Credit that reduces the Gross Annual Advisory Fee for portfolios utilizing mutual fund investments. The purpose of the credit amount is to put clients whose accounts are invested in retail or other more expensive classes of mutual funds in the same or better position than had their accounts been invested in institutional or other lower cost classes without the Fee Credit. Specifically, the Fee Credit reduces your annual advisory fee by at least (but typically in excess of) the amount of (i) service-related fees received from the underlying mutual funds by TD Ameritrade and its affiliates as a result of servicing the mutual funds used in the Selective Portfolios, and (ii) any share class expense differentials between the classes used and the lowest cost available share classes. TD Ameritrade Investment Management seeks to mitigate conflicts associated with TD Ameritrade receiving service-related fees from mutual funds in which our clients are invested by ensuring that the Fee Credit amount is equal to or exceeds the actual amount of service-related fees received.

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 generally \$25,000 and \$100,000 for certain business accounts. However, clients can fund an account and implement a portfolio with \$10,000 or more. The maximum initial investment will vary depending on the model and suitability considerations.

Please note that TD Ameritrade Investment Management's advisory fees may be waived, in whole or in part, at our sole discretion, including in connection with promotional efforts or special pricing arrangements. 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. We also reserve the right to negotiate pricing in individual circumstances for clients with large accounts or multiple accounts, not assess the minimum annual fee in certain circumstances, provide offers to new and prospective clients, and may grandfather the annual advisory fee of pre-existing advisory relationships. We also reserve the right to waive advisory fees for accounts with an account value of \$1,000 or less. All pricing is subject to change on reasonable notice.

The applicable TD Ameritrade Investment Management fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement our 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, we will collect a prorated fee for the balance of the quarter upon account funding. Advisory fees are not charged on assets that are not directly under our management. This means that fees are not charged on (i) cash outside of the portfolio strategy (for example, client-initiated transactions to raise cash for future withdrawal) or (ii) on incompatible securities that are temporarily held in the related TD Ameritrade account. Advisory fees will be charged for all other assets, including cash held within the portfolio strategy.

If the client closes their related TD Ameritrade account during a quarter, TD Ameritrade Investment Management will refund to the client the unearned portion of the previously collected fee which will be calculated on a prorated basis by days. Also, if a client closes their related TD Ameritrade account within five business days of opening it, we will refund the fee paid in full promptly. The Core Mutual Fund, Supplemental Income Portfolios, and Managed Risk Portfolio may use mutual funds or share classes that may not be available to you as a retail investor. If you terminate your advisory relationship with TD Ameritrade Investment Management, we reserve the right to redeem any and all shares of such funds and you may incur a gain

or loss from the liquidation. In lieu of liquidation, if available, we reserve the right to convert the shares into a share class for which you are eligible and you will be subject to the terms and conditions including expenses per the mutual fund prospectus and there may be tax consequences.

The above pricing is in the context of clients who deal directly with TD Ameritrade Investment Management and TD Ameritrade. We reserve the right to provide its services to other types of clients (such as participants in 401(k) plans) and in other contexts. We also reserve 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, TD Ameritrade Investment Management may require the client to deposit additional money to bring the account up to the required minimum, and we reserve 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 Selective 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. The mutual funds available in the Selective Portfolios may be available directly from the fund companies, per the terms of the fund prospectuses and without paying the TD Ameritrade Investment Management advisory fees. However, the mutual funds may be subject to applicable sales charges and other restrictions. Please refer to the fund prospectus for more information. Conversely, TD Ameritrade Investment Management may provide access to mutual funds or classes of funds that clients may not be qualified to purchase outside of our advisory service.

Clients are also responsible for paying the mutual fund expenses of the underlying funds. The expenses include underlying fund advisory fees and other fund service fees. Please see the fund prospectuses for more information. The mutual fund expenses are separate and apart from the TD Ameritrade Investment Management 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 a TD Ameritrade Investment Management representative to discuss the suitability of the model. If we are unable to contact the client within 30 days, we reserve the right to restrict trading and billing on the account until the client is contacted and the issue is resolved.

iv. Selective Portfolios Using Exchange Traded Fund Investments

a. Core Exchange Traded Funds Portfolios Fee Schedule

Account Value	Annual Advisory Fee*
First \$250,000	1.00%
Next \$250,000 (or portion thereof)	0.70%
Additional assets above \$500,000	0.55%

b. Opportunistic Portfolios Fee Schedule

Account Value	Annual Advisory Fee*
First \$250,000	1.25%
Next \$250,000 (or portion thereof)	0.95%
Additional assets above \$500,000	0.80%

* In connection with this fee, TD Ameritrade charges no commissions for all eligible transactions in TD Ameritrade Investing Accounts. The minimum initial investment is generally \$25,000 and \$100,000 for certain business accounts. However, clients can fund an account and implement a portfolio with \$10,000 or more. The maximum initial investment will vary depending on the model and suitability considerations.

Please note that TD Ameritrade Investment Management's advisory fees may be waived, in whole or in part, at our sole discretion, including in connection with promotional efforts or special pricing arrangements. 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. We also reserve the right to negotiate pricing in individual circumstances for clients with large accounts or multiple accounts, not assess the minimum annual fee in certain circumstances, provide offers to new and prospective clients, and may grandfather the annual advisory fee of pre-existing advisory relationships. We also reserve the right to waive advisory fees for accounts with an account value of \$1,000 or less. All pricing is subject to change on reasonable notice.

The applicable TD Ameritrade Investment Management fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement our 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, TD Ameritrade Investment Management will collect a prorated fee for the balance of the quarter upon account funding. Advisory fees are not charged on assets that are not directly under our management. This means that fees are not charged on (i) cash outside of the portfolio strategy (for example, client-initiated transactions to raise cash for future withdrawal) or (ii) on incompatible securities that are temporarily held in the related TD Ameritrade account. Advisory fees will be charged for all other assets, including cash held within the portfolio strategy. If the client closes their related TD Ameritrade account during a quarter, TD Ameritrade Investment Management will refund to the client the unearned portion of the previously collected fee which will be calculated on a prorated basis by days. Also, if a client closes their related TD Ameritrade account within five business days of opening it, we will refund the fee paid in full promptly.

The above pricing is in the context of clients who deal directly with TD Ameritrade Investment Management and TD Ameritrade. We reserve the right to provide its services to other types of clients (such as participants in 401(k) plans) and in other contexts. We also reserve 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, TD Ameritrade Investment Management may require the client to deposit additional money to bring the account up to the required minimum, and we reserve 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 underlying fund advisory fees and other fund service fees. Please see the fund prospectuses for more information. The ETF expenses are separate and apart from the TD Ameritrade Investment Management advisory fee. ETFs are available outside of our services without paying the advisory fee but will be subject to trade commission and/or other transactions charges. Conversely, we may provide access to funds or classes of funds that clients may not be qualified to purchase outside of our advisory service.

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 a TD Ameritrade Investment Management representative to discuss the suitability of the model. If we are unable to contact the client within 30 days, we reserve the right to restrict trading and billing on the account until the client is contacted and the issue is resolved.

v. Essential Portfolios

Annual Advisory Fee*
0.30%

* In connection with this fee, TD Ameritrade charges no commissions for all eligible transactions in TD Ameritrade Investing Accounts.

Please note that TD Ameritrade Investment Management's advisory fees may be waived, in whole or in part, at our sole discretion, including in connection with promotional efforts or special pricing arrangements. 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 \$5,000 minimum. We also reserve the right to negotiate pricing in individual circumstances for clients with large accounts or multiple accounts, not assess the minimum annual fee in certain circumstances, provide offers to new and prospective clients, and may grandfather the annual advisory fee of pre-existing advisory relationships. We also reserve the right to waive advisory fees for accounts with an account value of \$5,000 or less. All pricing is subject to change on reasonable notice.

The applicable TD Ameritrade Investment Management fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement our 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, we will collect a prorated fee for the balance of the quarter upon account funding. Advisory fees are not charged on assets that are not directly under our management. This means that fees are not charged on (i) cash outside of the portfolio strategy (for example, client-initiated transactions to raise cash for future withdrawal) or (ii) on incompatible securities that are temporarily held in the related TD Ameritrade account. Advisory fees will be charged for all other assets, including cash held within the portfolio strategy. If the client closes their related TD Ameritrade account during a quarter, TD Ameritrade Investment Management will refund to the client the unearned portion of the previously collected fee which will be calculated on a prorated basis by days. Also, if a client closes their related TD Ameritrade account within five business days of opening it, we will refund the fee paid in full promptly.

The above pricing is in the context of clients who deal directly with TD Ameritrade Investment Management and TD Ameritrade. We also reserve 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, TD Ameritrade Investment Management may require the client to deposit additional money to bring the account up to the required minimum, and we reserve 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 underlying fund advisory fees and other fund service fees. Please see the fund prospectuses for more information. The ETF expenses are separate and apart from the TD Ameritrade Investment Management advisory fee. ETFs are available outside of our services without paying the advisory fee but will be subject to trade commission and/or other transactions charges. Conversely, we may provide access to funds or classes of funds that clients may not be qualified to purchase outside of our advisory service.

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 a TD Ameritrade Investment Management representative to discuss the suitability of the model. If we are unable to contact the client within 30 days, we reserve the right to restrict trading and billing on the account until the client is contacted and the issue is resolved.

Performance-Based Fees and Side-By-Side Management

TD Ameritrade Investment Management 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* and the *Fees and Compensation* sections 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

TD Ameritrade Investment Management generally provides financial planning and asset allocation services to individuals and trusts, but may provide such services to institutions, as well. These services are provided through the Internet or software applications to a national clientele. The financial planning services are incidental to the asset allocation services.

The TD Ameritrade Investment Management asset allocation services are made available to brokerage clients of TD Ameritrade. The minimum initial investment for the Selective Portfolios service required for a TD Ameritrade Investing Account is generally \$25,000 (minimum investment amount for corporate/business accounts is \$100,000). The minimum initial investment for the Essential Portfolios service required for a TD Ameritrade Investing Account is \$5,000 (*minimum investment amount for corporate/business accounts is \$100,000*). 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: 1) the client's asset allocation of his or her portfolio may vary from the target asset allocation due to the lack of funds, and 2) TD Ameritrade Investment Management may require the client to deposit additional money to bring the account up to the required minimum, and we reserve 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 will apply to any brokerage activities in such an account.

Methods of Analysis, Investment Strategies, and Risk of Loss

i. Legacy Portfolios

TD Ameritrade Investment Management has retained Morningstar Investment Management to provide asset allocation and security selection of the Legacy Portfolios. Morningstar Investment Management will use its proprietary qualitative and quantitative methodology to construct and recommend to TD Ameritrade Investment Management the asset allocations utilized in the Legacy Portfolios 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 Investment Management 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.

TD Ameritrade Investment Management's oversight of the asset allocation and security selections conducted by Morningstar Investment Management 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 Investment Management qualify for the Legacy Portfolios Service.
- Reconstructing risk analysis to validate that appropriate risk/return is advised by Morningstar Investment Management to clients.

Information used in making the goal planning and TD Ameritrade Investment Management 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 a TD Ameritrade Investment Management asset allocation model.

TD Ameritrade Investment Management will review the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them. Our review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Investment Management are appropriate. If we approve the recommendations, the portfolios will be updated accordingly.

The principal Legacy Portfolios 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 Legacy Portfolios service, TD Ameritrade Investment Management 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 our recommendations through a TD Ameritrade Investing Account at our affiliated broker-dealer, TD Ameritrade. TD Ameritrade Investment Management will not exercise any discretion over their assets.

ii. Selective Portfolios Using Mutual Fund Investments and the Managed Risk Portfolio

TD Ameritrade Investment Management has retained Morningstar Investment Management to provide asset allocation and security selection of the portfolios. The Core Mutual Fund Portfolios Powered by Morningstar Investment Management are diversified asset allocation portfolios. The Supplemental Income Portfolios Powered by Morningstar Investment Management 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, TD Ameritrade Investment Management has created only two models: Conservative and Moderate. The Managed Risk Portfolio is designed to use an absolute return strategy to limit volatility and provide protection against a decline in the equity markets. Morningstar Investment Management will use its proprietary qualitative and quantitative methodology to construct and recommend to TD Ameritrade Investment Management 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.

Morningstar Investment Management will provide TD Ameritrade Investment Management with initial investment options and quarterly strategy evaluations. Morningstar Investment Management will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide us with the updates to the portfolios. The fund universe includes the thousands of mutual funds available on the TD Ameritrade platform. The funds are carefully screened and analyzed by Morningstar Investment Management investment consultants. Morningstar Investment Management uses a set of qualitative and quantitative factors including but not limited to risk-adjusted performance, variance of returns, tax efficiency, expenses (including as to different expense levels associated with different mutual fund share classes), style consistency, and style purity as described above in *Advisory Business iv. Mutual Fund Recommendations*.

The selected funds are generally no-load or load-waived mutual funds on the TD Ameritrade platform. The classes of these funds may include retail, institutional, or other share classes, depending on TD Ameritrade's agreement with a particular mutual fund or its service providers. Retail classes of mutual funds may be more expensive than institutional share classes of the same mutual funds because they include various fees and expenses related to the share class (for example, distribution, shareholder servicing, and other fees and expenses) that are not borne by the other classes. These added fees and expenses may include fees and expenses that are paid to TD Ameritrade or other of TD Ameritrade Investment Management's affiliates, including 12b-1 and other service-related fees (collectively "service-related fees"). Receipt of such fees and expenses poses a potential conflict of interest, which we seek to address by, among other things, applying a Fee Credit (discussed in more detail below) designed

to put clients whose accounts are invested in retail or other more expensive classes of mutual funds in the same or better position than had their accounts been invested in institutional or other lower cost classes without the Fee Credit. We will attempt to obtain waivers of short-term redemption fees and purchase minimums where possible, as well as to access to lower expense share classes, where available. We will attempt to ensure that the lowest expense share class available to clients on the TD Ameritrade platform is being selected. We generally select the lowest expense share class available to clients on the TD Ameritrade platform. Selecting a lower expense share class helps to reduce the amount of service-related fees charged by the mutual funds to clients. (In some cases, however, the less expensive share class may not be suitable or available to clients. To compensate for the added fees and expenses of retail class shares [as noted in the *Fees and Compensation* and *Other Financial Industry Activities and Affiliations* sections], we provide a 35 basis points Fee Credit that reduces the Gross Annual Advisory Fee for portfolios utilizing mutual fund investments. The purpose of the Fee Credit is to reduce the Gross Annual Advisory Fee by at least [but typically in excess of] the amount of (i) service-related fees received from the underlying mutual funds by TD Ameritrade as a result of servicing the mutual funds used in the portfolios, and (ii) any share class expense differentials between the classes used and the lowest cost share classes.)

After Morningstar Investment Management completes its analysis, TD Ameritrade Investment Management will review the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them. Our review will involve taking steps to verify the data is reasonable in an effort to validate that the asset allocations and securities recommendations by Morningstar Investment Management are appropriate. If we approve the recommendations, the portfolios will be updated accordingly. We will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates. Our oversight of the Morningstar Investment Management process for Core Mutual Fund Portfolios is the same as described above in paragraph *i. Legacy Portfolios*, of this section.

The principal TD Ameritrade Investment Management investment strategy 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 Selective Portfolios, the client must authorize TD Ameritrade Investment Management 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 TD Ameritrade Investment Management 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. After the client's TD Ameritrade Investing Account application (including related forms) and other required paperwork are received and approved and the client deposits cash in his or her TD Ameritrade Investing Account in the amount at or above \$10,000, 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. Selective Portfolios Using ETF Investments and the Essential Portfolios

TD Ameritrade Investment Management has retained Morningstar Investment Management to provide asset allocation and security selection service for the Selective Portfolios. The Core ETF Portfolios Powered by Morningstar Investment Management are diversified asset allocation portfolios that utilize the same asset allocation models from the Legacy Portfolios. Morningstar Investment Management will use its proprietary qualitative and quantitative methodology to construct and recommend to TD Ameritrade Investment Management the asset allocations utilized in the Legacy Portfolios service. The principal TD Ameritrade Investment Management investment strategy is for clients to make long-term purchases of ETFs. 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 Investment Management will provide TD Ameritrade Investment Management with initial investment options and annual strategy evaluations. However, Morningstar Investment Management will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide us with the updates to the portfolios. We will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

The Opportunistic Portfolios Powered by Morningstar Investment Management seek long-term growth with a tactical investment approach and additional equity sector rotation strategy. The use of a tactical investment approach generally involves a more active portfolio management strategy to pursue short-term opportunities in different sectors or countries based on changes to the market. The Opportunistic Portfolios have additional asset classes that allow for tactical shifts (rebalancing). This allows for rebalancing assets into sectors with potential larger returns and decreasing assets in sectors with lower potential opportunities. Morningstar Investment Management will use its proprietary qualitative and quantitative methodology to construct and recommend to TD Ameritrade Investment Management the asset allocations. The qualitative calculations determine the momentum/volatility of the whole equity market and each asset class. The quantitative calculations review the fundamental dynamic asset allocation which determines the overall equity and fixed income changes. The calculations produce the adjustments to the portfolios. Morningstar Investment Management will provide TD Ameritrade Investment Management with initial ETF investment recommendations and monthly strategy evaluations. Morningstar Investment Management will reassess the ETFs in the model portfolios at least monthly (or more frequently as warranted by market conditions) and provide us with recommended updates to the portfolios. TD Ameritrade Investment Management will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

Essential Portfolios Powered by Morningstar Investment Management are diversified asset allocation portfolios. Morningstar Investment Management will use its proprietary qualitative and quantitative methodology to construct and recommend to TD Ameritrade Investment Management the asset allocations utilized in the Legacy Portfolios service. The principal TD Ameritrade Investment Management investment strategy is for clients to make long-term purchases of ETFs. 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. The service allocates assets among domestic equity, international equity, emerging markets, domestic, and international fixed income ETFs. We will recommend one ETF per asset class with the balance consisting of cash and cash alternatives (approximately 1%-3%) for the Essential Portfolios, compared to the Selective Core ETF Portfolios that utilizes additional assets classes and consists of approximately 15-25 ETFs. Morningstar Investment Management will provide TD Ameritrade Investment Management with initial investment options and annual strategy evaluations. However, Morningstar Investment Management will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide us with the updates to the portfolios. We will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

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 Investment Management 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.

TD Ameritrade Investment Management's oversight of the asset allocation and security selections conducted by Morningstar Investment Management 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 Investment Management qualify for the TD Ameritrade Investment Management Service.
- Reconstructing risk analysis to validate that appropriate risk/return is advised by Morningstar Investment Management to clients.

Information used in making the goal planning and TD Ameritrade Investment Management 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 a TD Ameritrade Investment Management asset allocation model.

TD Ameritrade Investment Management will review the proposed asset allocation and investment selection recommendations from Morningstar Investment Management and may request modifications to them. Our review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Investment Management are appropriate. If we approve the recommendations, the portfolios will be updated accordingly.

If the client chooses to use a Selective Portfolio or an Essential Portfolio, the client must authorize TD Ameritrade Investment Management 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 TD Ameritrade Investment Management 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. With a Selective Portfolio using ETF investments, after the client deposits cash in his or her TD Ameritrade Investing Account in the amount at or above \$10,000, the recommended trades will be placed in the account during the trading window. Clients will be able to invest in one strategy per account. With an Essential Portfolio, after the client deposits cash in his or her TD Ameritrade Investing Account in the amount at or above \$4,000, 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. Legacy Portfolios

The Legacy Portfolios service currently recommends asset allocation models utilizing specific index products, typically 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 TD Ameritrade Investment Management 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. Equity ETF risks include possible pricing delays in times of extreme market volatility, liquidity risk, and market risk. Fixed-income ETF 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.
- Liquidity risk: the risk that certain assets may not be readily converted into cash due to lack of demand in the market.
- Market risk: the risk that the value of an investment may decline due to changes in general economic or market conditions.

Past performance is no guarantee of future results.

ii. Selective Portfolios

a. Selective Core Mutual Fund Portfolios Powered by Morningstar Investment Management

The Selective Core Mutual Fund Portfolios Powered by Morningstar Investment Management 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/subasset classes of the asset allocation models used by TD Ameritrade Investment Management.

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 Selective Portfolios Powered by Morningstar Investment Management are selected from the mutual funds available on the TD Ameritrade platform. The classes of these funds may include retail, institutional, or other share classes, depending on the applicable mutual fund and TD Ameritrade's agreement with the particular mutual fund or its service providers. Retail classes of mutual funds may be more expensive than institutional share classes of the same mutual funds because they include various fees and expenses related to the share class (for example, distribution, shareholder servicing, and other fees and expenses) that may not be borne by the other classes. These added fees and expenses may include fees and expenses that are paid to TD Ameritrade or other of TD Ameritrade Investment Management's affiliates, including 12b-1 fees and other service-related fees (collectively "service-related fees"). Receipt of such fees and expenses poses a potential conflict of interest, which we seek to address by, among other things, applying a Fee Credit (discussed in more detail below) designed to put clients whose accounts are invested in retail or other more expensive classes of mutual funds in the same or better position than had their accounts been invested in institutional or other lower cost classes without the Fee Credit.

TD Ameritrade Investment Management generally selects the lowest expense share class available to our clients on the TD Ameritrade platform. Selecting a lower expense share class helps to reduce the amount of service-related fees charged by the mutual funds to our clients. (In some cases, however, the less expensive share class may not be suitable or available to our clients. To compensate for the added fees and expenses of retail class shares [as noted in the *Fees and Compensation* and *Other Financial Industry Activities and Affiliations* sections] we provide a 35 basis points Fee Credit that reduces the Gross Annual Advisory Fee for portfolios utilizing mutual fund investments. The purpose of the Fee Credit is to put clients whose accounts are invested in retail or other more expensive classes of mutual funds in the same or better position than had their accounts been invested in institutional or other lower cost classes without the Fee Credit. Specifically, the Fee Credit reduces the Gross Annual Advisory Fee by at least [but typically in excess of] the amount of (i) service-related fees received from the underlying mutual funds by TD Ameritrade and its affiliates as a result of servicing the mutual funds used in the Selective Portfolios, and (ii) any share class expense differentials between the classes used and the lowest cost share classes.)

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. Core ETF Portfolios Powered by Morningstar Investment Management

The Core ETF Portfolios Powered by Morningstar Investment Management recommends ETFs as part of an asset allocation model as described under *i. Legacy Portfolios* of this section.

c. Supplemental Income Portfolios Powered by Morningstar Investment Management

The Supplemental Income portfolios offer investment strategies designed to provide both income and total returns while limiting your exposure to volatility. The portfolios are not cash vehicles, cash alternatives, or money market funds and are not for short-term investing (less than one year) and should not be viewed or used for these objectives. The Supplemental Income Portfolios hold equity and bond mutual funds that have risks inherent to investing in these securities, including market and credit risk, and possible loss of value as described under *ii.a. Core Mutual Fund Portfolios Powered by Morningstar Investment Management* of this section.

d. Opportunistic Portfolios Powered by Morningstar Investment Management

Opportunistic Portfolios Powered by Morningstar Investment Management recommends ETFs as part of an asset allocation model as described under *i. Legacy Portfolios* of this section.

e. Managed Risk Portfolio Powered by Morningstar Investment Management

The Managed Risk Portfolio service seeks to limit portfolio volatility in an effort to provide protection against a decline in the equity markets. The service seeks to pursue this goal by investing in certain mutual funds that, when combined in a single portfolio, provide the desired volatility characteristics and return expectations. The service is not designed to outperform stocks and bonds in strong markets. There is no guarantee the underlying mutual funds will achieve positive returns or that the service's objectives will be achieved. The Managed Risk Portfolio service is not a cash vehicle, cash alternative, or money market fund equivalent, and is not for short-term investing (less than one year). It should not be viewed or used for these objectives. The mutual funds used in the Managed Risk Portfolio service invest in securities (including mutual funds) and strategies with inherent risks, including market, credit, geographical, and derivatives risk. The funds entail possible loss of value as described under *ii.a. Core Mutual Fund Portfolios Powered by Morningstar Investment Management* of this section.

The underlying mutual fund managers may use investment mandates which allow them to consider a variety of opportunities for their mutual funds including, but are not limited to:

1. Stocks
2. Bonds
3. Commodities

4. Derivatives
5. Cash

Funds used in the service may include the following types of financial instruments in their portfolios: derivative instruments, including options, futures, swaps, structured securities, and other derivative instruments which may involve a high degree of financial risk. Commodity linked mutual funds are investments intended to provide exposure to one or more physical commodities or commodities indices. The value of a commodity linked mutual fund may be affected by market movements and factors specific to a particular commodity or industry, such as weather, embargoes, and international economic, political, and regulatory developments. Derivatives are securities derived from an underlying asset. The most common types of derivatives are futures contracts, options, and swaps. The risks of investing in a derivative include liquidity, interest rate, market, credit, and management risks. Also, the value of a derivative may not correlate with the underlying asset. The funds may also pursue an arbitrage strategy and have the risk that securities purchased pursuant to the strategy intended to take advantage of a perceived relationship between the value of two securities may not perform as expected. In addition, the funds may invest in foreign securities, which may be more volatile than investments in U.S. securities and will be subject to fluctuation and sudden economic and political developments. Furthermore, the funds used may have wide flexibility as to asset allocation as governed by their prospectuses and their chosen asset allocations may prove to have been undesirable. While the funds have flexibility as to their allocation, from time to time, it may be possible that multiple funds used in the Managed Risk Portfolio may invest in a similar asset class(es) to pursue market opportunities. This may result in the overall portfolio allocations being more highly concentrated in a small number of asset classes.

f. Essential Portfolios

Essential Portfolios Powered by Morningstar Investment Management recommends ETFs as part of an asset allocation model as described under *i. Legacy Portfolios* of this section.

Past performance is no guarantee of future results.

Risk of Loss

The TD Ameritrade Investment Management 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 TD Ameritrade Investment Management service is hypothetical, does not reflect actual investment results and does not guarantee future results. Our 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. TD Ameritrade Investment Management 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. We 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.

Legacy Portfolios: TD Ameritrade Investment Management'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). We make no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. We are unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment. While our services are 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 TD Ameritrade Investment Management. The client is free to accept or reject the our recommendations.

Selective Portfolios and Essential Portfolios: TD Ameritrade Investment Management'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). We make no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. We are 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 TD Ameritrade Investment Management.

Disciplinary Information

Form ADV Part 2 requires investment advisors such as TD Ameritrade Investment Management to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business and/or our management. Neither TD Ameritrade Investment Management nor any of our management persons have been involved in any disciplinary events that would be material to a client's or prospective client's evaluation of TD Ameritrade Investment Management or the integrity of its management.

Other Financial Industry Activities and Affiliations

TD Ameritrade Investment Management is an indirect wholly owned subsidiary of TD Ameritrade Holding Corporation ("Corporation") through Financial Passport, Inc. ("FPI"). Because FPI is a wholly owned subsidiary of the Corporation, we are 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.

Per an intercompany agreement between TD Ameritrade Investment Management and TD Ameritrade Clearing, Inc. and TD Ameritrade, Inc., TD Ameritrade Clearing, Inc. and TD Ameritrade, Inc. provide services and support to TD Ameritrade Investment Management. In addition, TD Ameritrade, Inc. shares certain employees with TD Ameritrade Investment Management necessary to the operation of the company. Therefore, management persons of TD Ameritrade Investment Management 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 TD Ameritrade Investment Management is undertaken under our 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 TD Ameritrade Investment Management. We maintain all necessary records and information relating to the services it provides to meet its legal and contractual obligations.

TD Ameritrade FCs are dually registered as broker-dealer registered representatives of TD Ameritrade and as investment advisor representatives of TD Ameritrade Investment Management. The FCs only act as investment advisor representatives of TD Ameritrade Investment Management when they assist clients in selecting one or more appropriate portfolios from those initially recommended by TD Ameritrade Investment Management. The FC's advisory relationship to the client and related fiduciary duty is limited to the portfolio recommendation activity. The FC will cease to act as an investment advisor representative of TD Ameritrade Investment Management upon the commencement of our managed portfolio service to the client and the FC will have no ongoing fiduciary responsibility to the client in any respect.

To implement a portfolio, TD Ameritrade Investment Management clients will need to open a dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade. 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. 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 addition, the cash allocation in the Selective and Essential Portfolios are generally 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 TD Ameritrade Investment Management, LLC through their respective parent companies. TD Bank, N.A. and TD Bank USA, N.A. may receive an economic benefit from the cash held in the TD Ameritrade FDIC Insured Deposit Account and may compensate TD Ameritrade in connection with such accounts. See response below to *Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading* of this disclosure brochure.

In addition, as noted in the *Fees and Compensation* section above, TD Ameritrade receives remuneration from fund companies used in the TD Ameritrade Investment Management service for recordkeeping, shareholder services, and other administrative and distribution services in the form of 12b-1 and other service-related fees (collectively "service-related fees"). In addition, in certain instances TD Ameritrade Investment Management clients may be invested in more expensive share classes of particular mutual funds. We generally select the lowest expense share class available to our clients on the TD Ameritrade platform. Selecting a lower expense share class helps to reduce the amount of service-related fees charged by the mutual funds to our clients. In some cases, however, the less expensive share class may not be suitable or available to our clients. To compensate for the added fees and expenses of certain class shares (as noted in the Fees and Compensation section) we provide a 35 basis points Fee Credit that reduces the Gross Annual Advisory Fee. The purpose of the Fee Credit is to put clients whose accounts are invested in retail or other more expensive classes of mutual funds in the same or better position than had their accounts been invested in institutional or other lower cost classes without the Fee Credit. Specifically, the Fee Credit reduces the Gross Annual Advisory Fee by at least (but typically in excess of) the amount of (i) service-related fees received from the underlying mutual funds by TD Ameritrade as a result of servicing the mutual funds used in the Selective Portfolios, and (ii) any share class expense differentials between the classes used and the lowest cost share classes. Because the Fee Credit is applied on a uniform basis points basis (compared with a dollar for dollar basis that reflects compensation received by TD Ameritrade Investment Management affiliates), we may have financial incentives to invest client assets in mutual funds and share classes that pay TD Ameritrade Investment Management or its affiliates compensation. We seek to address these potential conflicts posed by these potential financial incentives in various ways, including by engaging an independent fiduciary, Morningstar Investment Management, to provide advice and recommendations on mutual funds and share class alternatives, tasking the TD Ameritrade Investment Management investment committee with overall responsibility in mutual fund and share class decisions and providing that committee with operational autonomy to make these decisions without regard to compensation received by TD Ameritrade Investment Management or its affiliates. Further, we seek to mitigate conflicts associated with TD Ameritrade receiving service-related fees from mutual funds in which our clients are invested by ensuring that the Fee Credit equals or exceeds the actual amount of service-related fees received.

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

TD Ameritrade Investment Management adopted a Code of Ethics as of January 31, 2005, pursuant to Rule 204A-1 under the Investment Advisors Act of 1940. The Code is based on the fiduciary duty principle that clients' interests come first. The Code requires TD Ameritrade Investment Management'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.

TD Ameritrade Investment Management'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. Commissions may be charged for ETF and mutual fund transactions effected through TD Ameritrade, including those to implement, rebalance, or reallocate a TD Ameritrade Investment Management 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. 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 its AdvisorDirect® advisor referral service, which generally has a \$500,000 minimum investment requirement. The AdvisorDirect service refers eligible TD Ameritrade retail clients to one or more independent investment advisory firms that offer traditional 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. TD Ameritrade's clients could potentially receive advisory services from such independent advisors or receive advisory services from its affiliated advisor TD Ameritrade Investment Management. As a result, TD Ameritrade may have a conflict of interest when it guides prospects toward these services. TD Ameritrade has adopted incentive plan arrangements for its FCs as described in *Client Referrals and Other Compensation* below. TD Ameritrade also has implemented procedures to mitigate the conflict of interest and to help ensure its clients are referred to the appropriate advisory service. The procedures include qualification criteria designed, among other things, to identify the client's desire for the traditional services of an independent investment advisory firm or for the TD Ameritrade Investment Management service based on a number of factors to help ensure the appropriate advisory service is selected.

TD Ameritrade Investment Management 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 TD Ameritrade Investment Management 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 our service is appropriate for them. Among the factors to be considered in making that determination are: (i) the role that TD Ameritrade Investment Management 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 our service; (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.

TD Ameritrade Investment Management's affiliates and TD Ameritrade associates (collectively "Associates") are allowed to invest in our 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 our limited business model which deals exclusively with asset allocation models involving index products such as ETFs, mutual funds available on the TD Ameritrade platform, 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 TD Ameritrade Investment Management are restricted from purchasing or selling any security (or derivative thereof) that they know or reasonably should know will be recommended in a Selective or Essential Portfolio (a) in their personal accounts and (b) in accounts as to which they have beneficial ownership (which include (1) the accounts of a spouse, minor children, other persons living in their household, and nonemancipated 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 or net assets 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. Our 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 Selective or Essential portfolio, clients are required to open a TD Ameritrade Investing Account and use TD Ameritrade, Inc. as the broker-dealer.

Legacy Portfolios Clients: the service 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 TD Ameritrade Investment Management-related securities. TD Ameritrade currently charges no commissions in connection with ETF transactions in client accounts. The relationship between TD Ameritrade Investment Management and TD Ameritrade is discussed on the TD Ameritrade website. To the extent that a client decides to implement any TD Ameritrade Investment Management 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 TD Ameritrade Investment Management from achieving the most favorable execution for client transactions which may result in higher transaction costs. TD Ameritrade, Inc. and TD Ameritrade 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*.

Selective Portfolios and Essential Portfolios Clients: Use of the discount brokerage service is a condition to implementing the discretionary investment advice provided through TD Ameritrade Investment Management. We feature 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 TD Ameritrade Investment Management-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

associated TD Ameritrade accounts. Requiring the use of TD Ameritrade, Inc. as the dedicated broker-dealer may prevent TD Ameritrade Investment Management 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*.

Conflicts Relating to Mutual Fund Shares

In its capacity as broker-dealer, TD Ameritrade and other TD Ameritrade Investment Management affiliates benefit from fees and expenses charged to our clients whose assets are invested in share classes of mutual funds that charge higher fees and expenses than other share classes of those same mutual funds. These added fees and expenses include fees and expenses that are paid to TD Ameritrade or other of our affiliates, including 12b-1 and other service-related fees (collectively "service-related fees"). Receipt of such fees and expenses poses a potential conflict of interest, which we seek to address by, among other things, applying a Fee Credit designed to put clients whose accounts are invested in retail or other more expensive classes of mutual funds in the same or better position than had their accounts been invested in institutional or other lower cost classes without the Fee Credit. Specifically, to compensate for any added fees and expenses of more expensive share classes (as noted in the *Fees and Compensation and Other Financial Industry Activities and Affiliations* sections) TD Ameritrade Investment Management provides a 35 basis points Fee Credit that reduces the Gross Annual Advisory Fee for portfolios utilizing mutual fund investments. Because the fee credit is applied on a uniform basis points basis (compared with a dollar for dollar basis that reflects compensation received by our affiliates), we may have financial incentives to invest client assets in mutual funds and share classes that pay TD Ameritrade Investment Management or its affiliates compensation. (TD Ameritrade Investment Management seeks to address these potential conflicts posed by these potential financial incentives in various ways, including by engaging an independent fiduciary, Morningstar Investment Management, to provide advice and recommendations on mutual funds and share class alternatives, tasking our investment committee with overall responsibility in mutual fund and share class decisions and providing that committee with operational autonomy to make these decisions without regard to compensation received by us or our affiliates. Further, we seek to mitigate conflicts associated with TD Ameritrade receiving service-related fees from mutual funds in which our clients are invested by ensuring that the Fee Credit Amount equals or exceeds the actual amount of service-related fees received.)

Conflicts Relating to Mutual Funds versus ETFs

Further, as described throughout this disclosure brochure, clients are recommended portfolios consisting either of mutual funds or ETFs. The ETFs TD Ameritrade Investment Management selects generally seek to match the performance of a specific market index, asset class, or sector by replicating the securities in the index or providing a representative sample of securities in the index. The ETFs generally are passively managed, with relatively little trading activity and low management fees. The mutual funds we select generally are actively managed and have more trading activity and higher fees (some portion of which may be paid over to our affiliate, TD Ameritrade, as described above). To the extent that TD Ameritrade FCs may act as investment advisor representatives of TD Ameritrade Investment Management in making recommendations of portfolios comprised of either mutual funds or ETFs, the potential for conflict of interest is mitigated by having an FC compensation plan that is neutral in providing the same compensation for either type of portfolio.

Aggregation of Trades

a. Selective Portfolios Using Mutual Fund Investments and the Managed Risk Portfolio

With the Core Mutual Fund, Managed Risk, and Supplemental Income Portfolios, TD Ameritrade Investment Management 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 Selective Portfolios discretionary transactions in clients' associated TD Ameritrade accounts.

Based on the quarterly recommendations (or more frequently as warranted by market conditions) of Morningstar Investment Management, TD Ameritrade Investment Management may rebalance the portfolios. There may be instances when the rebalance will entail a significant amount of transactions across all client accounts; we reserve the right to place the transactions over two or more consecutive trading days in order to reduce large price fluctuations that may occur by executing the trades on a single trading day. We will randomly select the portfolio models that will be traded on each of the two or more consecutive trading days if two consecutive days are needed to minimize price fluctuations. It is our policy that such transactions will be entered in a fair and equitable manner. There is no preferential treatment given to any one client account.

Trade Error Policy

In the event TD Ameritrade Investment Management makes an error that has a financial impact on a client's account, we will seek to correct the error as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss. We will evaluate each situation independently.

b. Selective Portfolios Using ETF Investments and the Essential Portfolios

With the Core ETF, Opportunistic Portfolios, and Essential Portfolios, TD Ameritrade Investment Management 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.

TD Ameritrade Investment Management 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. Our 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, TD Ameritrade Investment Management 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 Investment Management Services 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: 1) significant market losses or gains (generally based on important economic news), 2) significant trading volume, or 3) when clients may receive a price advantage, TD Ameritrade Investment Management reserves the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve 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 we determine 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 TD Ameritrade Investment Management's affiliated broker-dealer TD Ameritrade Clearing, Inc. We reconcile 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. TD Ameritrade Investment Management 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 our associated persons may participate in aggregated orders. The associates will receive the same average share price and will pay any applicable commissions and other transaction costs on a pro-rata basis.

In some cases TD Ameritrade receives payment for order flow in connection with ETF transactions. We receive no additional compensation or remuneration as a result of the aggregation or payment for order flow. Order flow is described in "*Services Provided-Legacy Portfolios*" of the disclosure brochure.

Written Aggregation Statement

Each trading day, as described above, TD Ameritrade Investment Management generates a list of accounts for the daily aggregated order(s). The orders are sent to TD Ameritrade Clearing, Inc. 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

In the event TD Ameritrade Investment Management makes an error that has a financial impact on a client's account, we will seek to correct the error as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss. We will evaluate each situation independently.

Review of Accounts

A. Reviews

Legacy Portfolios Clients

In Legacy Portfolios, TD Ameritrade Investment Management 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. A Legacy Portfolios client may request an updated plan at any time for no additional fee. We 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 tools to help them use our service.

In the Self-Directed Portfolios, TD Ameritrade Investment Management 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. A Legacy Portfolios 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 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 we recommend asset reallocation toward a more conservative portfolio.

Selective Portfolios Clients

TD Ameritrade Investment Management will request updated Profile Information from its Selective Portfolios clients informally on a quarterly basis and more formally on an annual basis. Members of Investment Management Services 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 Investment Management Services Team will contact the client to pursue the matter. In addition, members of the Investment Management Services Team who are knowledgeable about Selective Portfolios will be available to consult periodically with clients about their portfolios.

Additionally, TD Ameritrade Investment Management has designed a program where Investment Management Services Team members may contact Selective Portfolios clients to discuss whether their current Selective Portfolio continues to reflect the client's investment objectives and financial situation and/or whether a different Selective Portfolio may be more appropriate. The program involves random and targeted calls to clients generally based on length of time in our service. With the program, not all clients may be called.

Essential Portfolios Clients

TD Ameritrade Investment Management will request updated Profile Information from its Essential Portfolios clients informally on a quarterly basis and more formally on an annual basis. Members of the Investment Management Services 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. The Essential Portfolios are offered electronically via the Internet as the primary channel of interaction with TD Ameritrade Investment Management. Accordingly, Essential Portfolios clients need Internet access for activities such as monitoring their portfolio, updating their Profile Information, conducting cash and securities transfers, communicating with the Investment Management Services Team. Essential Portfolio clients agree to receive notices including disclosure brochures, regulatory communications, and other materials electronically in lieu of paper communications. The communications will be delivered electronically to the email address provided on the client's TD Ameritrade Investing Account application.

B. Reports

Legacy Portfolios Clients

TD Ameritrade Investment Management does not provide written reports to Legacy Portfolios 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.

Selective Portfolios and Essential Portfolios Clients

TD Ameritrade Investment Management does not provide written reports to Selective 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 TD Ameritrade Investment Management office space, use of its phone system, use of its Internet website and other general office, clerical, managerial, and legal support. Our advisory service is designed to work with TD Ameritrade, a registered broker-dealer under common control with TD Ameritrade Investment Management. TD Ameritrade receives compensation including 12b-1 and other service-related fees from the underlying funds if clients open accounts at TD Ameritrade, place assets in investment vehicles, (including money market accounts) purchase products and services from it, or implement our recommendations through it. However, currently TD Ameritrade does not charge commissions for implementing our recommendations. In addition, the Corporation's affiliates, TD Bank USA, N.A. and TD Bank, N.A., receive an economic benefit from the cash held in their FDIC Insured Deposit Account by our clients, and compensate TD Ameritrade in connection with such accounts.

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

TD Ameritrade registered representatives, known as FCs, will generally be either located in TD Ameritrade branch offices or in a call center. In addition to the salary, FCs of TD Ameritrade who are properly registered may receive additional compensation from TD Ameritrade for referrals to Selective and Essential Portfolios based on the amount of funding in the associated TD Ameritrade Investing Account.

Compensation for TD Ameritrade FCs consists of a salary component and an incentive bonus component. The incentive bonus component includes two factors: 1) a set amount based on the amount of the client's initial deposit and any subsequent deposits in their TD Ameritrade Investing Account that exceed the minimum investment amount. The amount of the payout to the FC will increase based on the amount of the deposit; 2) The FC may receive additional incentive bonus compensation depending on the total amount of the FC's referrals to our service during a quarterly period. The actual payouts are multiplied by a payout factor for each FC, based on the amount of assets referred. For the FC to be eligible to receive the incentive bonus, the FC must meet or exceed a certain threshold amount of referred assets for the quarter.

The FC may receive indirect additional bonus compensation from TD Ameritrade if they exceed performance targets taking into account the bonus funding allocations noted above. The indirect additional bonus compensation depends on the total amount of the FC's referrals in a quarterly period. Furthermore, during certain times, TD Ameritrade may run sales contests where FCs may receive trips, gifts, meals, tickets, or other entertainment for successfully referring you to our service or playing a role in your decision to deposit additional assets into your TD Ameritrade Investing Account. In addition, TD Ameritrade Branch Office managers receive bonuses if the FCs in their office make successful referrals to our service or play a role in investors' decisions to deposit additional assets in their TD Ameritrade Investing Accounts. Consequently, FCs and Branch Office managers have incentives to encourage you to implement a Selective or Essential portfolio or to move or deposit additional assets to your TD Ameritrade Investing Account and because of those incentives, they may refer you to TD Ameritrade Investment Management or deposit additional assets into your TD Ameritrade Investing Account instead of choosing other investment options for your assets.

TD Ameritrade FCs who are investment advisor representatives of AdvisorDirect have the ability to refer clients to AdvisorDirect and receive compensation for such referrals. All FCs are trained to direct clients to the most appropriate financial solution based on the client's suitability and preferences. The incentive bonus component of the FC compensation as described above varies between Selective and Essential Portfolios and AdvisorDirect. With referrals to Selective and Essential Portfolios, the FC may be compensated for both the client's initial deposit and subsequent deposits into the TD Ameritrade Investing Account. However, with AdvisorDirect, the FC may only be compensated for the initial deposit. In addition, the payout multiplier for TD Ameritrade Investment Management is higher than AdvisorDirect. Consequently, FCs may have incentives to encourage investors to choose TD Ameritrade Investment Management, over AdvisorDirect, and either of these over all other investment options. To help mitigate any potential conflicts of interest, TD Ameritrade policies and procedures and supervision are in place to help FCs refer clients to the most appropriate solution for their financial needs.

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

Custody

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

Selective Portfolios and Essential Portfolios: Clients will implement TD Ameritrade Investment Management's advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade. Our 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 TD Ameritrade Investment Management, any fees charged by us to clients using TD Ameritrade Investing 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 our 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

Legacy Portfolios

Neither TD Ameritrade Investment Management 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.

Legacy Portfolios feature 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 TD Ameritrade Investment Management-related securities. TD Ameritrade currently charges no commissions in connection with ETF transactions in our client accounts. TD Ameritrade, Inc. and TD Ameritrade Investment Management are both wholly owned subsidiaries of TD Ameritrade Holding Corporation. The relationship between TD Ameritrade Investment Management and TD Ameritrade is discussed on the TD Ameritrade website.

TD Ameritrade Investment Management 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 Legacy Portfolios 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 TD Ameritrade Investment Management. 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.

Selective Portfolios and Essential Portfolios Clients

With Selective Portfolios, the client must authorize TD Ameritrade Investment Management 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 TD Ameritrade Investment Management by signing/agreeing to the TD Ameritrade Investment Management Service Agreement. The discretionary authority allows us to buy, sell, exchange, or otherwise trade the eligible assets in the client's strategy without the approval of each transaction. We are 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.

TD Ameritrade Investment Management may, in its discretion, accept mutual funds owned by the client into his or her TD Ameritrade Investing Accounts using our service if the mutual funds were previously recommended by TD Ameritrade Investment Management. We may accept and use a compatible mutual fund in the client's portfolio, even if the mutual fund share is of a different share class than the share class of the mutual fund approved for use in the Selective Portfolios service. For example, if a client transfers in retail share class mutual fund and we utilize a lower expense share class of the same mutual fund, we may retain the retail share class of the mutual fund in the client's portfolio. By accepting the retail share class mutual fund will benefit clients as they will be able to invest in their portfolio more quickly. In addition, it may help reduce potential tax liabilities from selling the retail class shares and buying back the lower expense share class. On a periodic basis, when possible, we will review client accounts that transferred different share classes of compatible mutual funds and will convert share classes to the approved share class where we believe doing so would be beneficial to the client (for example, to help lower the client's expenses). The limitations on compatible mutual funds contained in this paragraph apply to both initial and subsequent contributions. We 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. We also reserve the right to accept ETFs that were previously recommended for a Selective Portfolio as in cases when the current Legacy Portfolios client is switching to the Selective Portfolio service or an exception has been granted. In such cases, the client grants TD Ameritrade Investment Management discretion to liquidate the ETFs and invest the proceeds in the client's selected 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.

TD Ameritrade Investment Management may in its discretion accept ETFs owned by the client into his or her TD Ameritrade Investing Accounts using the Core ETF Portfolio and Essential Portfolio services if the ETFs are compatible with his or her strategy. We reserve the right to accept and utilize in the client's portfolio ETFs that were previously recommended by us. The limitations on compatible and previously recommended ETFs contained in this paragraph apply to both initial and subsequent contributions. We 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. In cases where the client transfers into their TD Ameritrade Investment Account two or more compatible ETFs that are appropriate for a single asset class, We utilize the higher ranked ETF for the asset class and the lower ranked ETF is liquidated and rebalanced accordingly. 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.

To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, TD Ameritrade Investment Management 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 us. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Clients also have the option to grant TD Ameritrade time and price discretion to liquidate incompatible securities. 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.

Clients are entitled to impose reasonable restrictions on TD Ameritrade Investment Management's management of their portfolios pursuant to Investment Company Act Rule 3a-4. Any management restriction they may wish to impose is subject to our review and approval.

The TD Ameritrade Investment Management investment strategy is the recommendation of diversified asset allocation portfolios across a broad range of asset classes. TD Ameritrade Investment Management has no influence or control over the mix of securities held by any mutual fund or ETF in which client portfolios may be invested. Therefore, restrictions such as no nuclear energy, gambling, tobacco, or firearm securities may not be honored.

TD Ameritrade Investment Management generally honors the following restrictions:

- No margin
- No options
- No futures (in ETF Portfolios)
- No leverage
- No shorting
- Cash position amount (limit the cash position or invest less in the mutual funds and ETFs and more in cash, other than long-term market timing)
- Delay investing

With the portfolios, clients may be able to restrict the purchase of a particular fund or fund family provided such restriction is not inconsistent with our investment strategy or is not fundamentally inconsistent with the nature or operation of the service. If we honor the restriction, assets will be invested in a manner that is appropriate given your restriction. The funds designated for restriction by client will be replaced with alternatives selected by us. Accounts with imposed management restrictions may experience different performance from accounts without restrictions, possibly producing lower overall results.

Use of the discount brokerage service is a condition to implementing the discretionary portfolios investment advice provided through TD Ameritrade Investment Management. We feature 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 TD Ameritrade Investment Management-related securities. Brokerage services provided by TD Ameritrade, Inc.

TD Ameritrade, Inc. and TD Ameritrade 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 clients' associated TD Ameritrade accounts.

Voting Client Securities

TD Ameritrade Investment Management does not have authority over and specifically disclaims responsibility for voting proxies for securities in client accounts. Since we do not have proxy voting authority over securities in client accounts, we are not required to, and do 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.