

# **DISCLOSURE BROCHURE**

(FORM ADV, PART 2A)

**AMERIVEST INVESTMENT MANAGEMENT, LLC**

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**March 17, 2014**

This brochure provides prospective clients with information about Amerivest Investment Management, LLC ("Amerivest") that should be considered before or at the time of obtaining advisory services from Amerivest.

If you have any questions about the contents of this brochure, please contact us at 888-310-7921.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Please be advised that Amerivest will not assign its duties to you to any other party without your consent.

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

Amerivest is registered with the United States Securities and Exchange Commission as a Registered Investment 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 brochure, which is dated March 17, 2014 replaces the previous version, which was dated December 19, 2013. The following section highlights revisions made to the Amerivest Disclosure Brochure:

- We added a new portfolio service called the Amerivest Managed Risk Portfolio. Details on the new portfolio are disclosed in the Advisory Services section of this disclosure brochure.

Amerivest Investment Management, LLC – March 17, 2014

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## Advisory Business

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

Amerivest was formed in November 1997 as PFN Investment Management, LLC and in April 2003 changed its name to Amerivest Investment Management, LLC. Amerivest is wholly owned by Financial Passport, Inc., which is wholly owned by TD Ameritrade Online Holdings Corp. TD Ameritrade Online Holdings Corp. is a wholly owned subsidiary of TD Ameritrade Holding Corporation, a publicly traded company. Approximately 41% of TD Ameritrade Holding Corporation is owned by The Toronto-Dominion Bank, a publicly traded company.

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

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

In October 2011, Amerivest generally discontinued offering Online Amerivest to new and prospective clients (which includes the Self-Directed and Target Date Portfolios). Existing Online Amerivest clients with accounts established on or before October 2011 were not affected by this change and can continue to receive the customary Online Amerivest service via the Internet as the primary channel of interaction with Amerivest. In addition, Amerivest for RIAs available to TD Ameritrade Institutional clients was not affected by this change and clients can continue to receive the customary service through their independent Registered Investment Advisor.

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

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

Online Amerivest 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.

Amerivest recommends asset allocation models utilizing specific index products (typically ETFs) on the Online Amerivest platform. The Online Amerivest service involves the use of a third-party investment advisor as a consultant to Amerivest. That consultant is Morningstar Associates, LLC ("Morningstar Associates"). Under the terms of a product license and services agreement, Morningstar Associates provides asset allocation and investment selection services to Amerivest for a fee. In performing its services, Morningstar Associates 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 Associates nor MIS acts in the capacity of advisor to Amerivest's clients.

Morningstar Associates uses its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest the asset allocations utilized in the Online Amerivest service. The asset allocation methodology is based on risk and return parameters relying on historic, current, and forecasted data, and on implied risk and return estimates. Morningstar Associates 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 Amerivest's recommended asset allocations. In addition, the recommended asset allocation for any particular client will shift over time as a function of the client approaching his or her goal.

Morningstar Associates uses its proprietary qualitative and quantitative methodology to recommend to Amerivest ETFs that may be used in the portfolios. Morningstar Associates 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 Associates investment team. Morningstar Associates revisits its methodology at least annually to ensure it is performing adequately.

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

In addition to the recommended ETFs, Amerivest 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 Amerivest's fee and provides liquidity to cover potential price changes in market orders. The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account provided by TD Bank, N.A. and TD Bank USA, N.A. The banks are affiliated with TD Ameritrade, Inc. and Amerivest Investment Management, LLC through their respective parent companies. Amerivest clients who open a taxable TD Ameritrade Investing Account will also have the option to select TD Ameritrade Cash (protected by the Securities Investor Protection Corporation) as a cash sweep option. The cash sweep option

allows available cash to be swept into a sweep vehicle pending 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, Amerivest will recommend portfolio reallocations designed to reduce the portfolio risk profile as the goal date becomes closer. Clients are able to view the recommended allocations by logging in to their TD Ameritrade Investing Account (defined below). Clients who enter a relatively short time horizon will be recommended a more conservative portfolio regardless of their risk tolerance.

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

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

The Online Amerivest 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 an Online Amerivest asset allocation model. In addition, information Amerivest may have, or that Amerivest's affiliates may have, relating to a client's broader investment objectives, risk tolerance, or financial circumstances for other accounts or transactions will not be considered in rendering these Online Amerivest asset allocation models. For these reasons, it is important for each client using this online service to consider all of his or her own financial circumstances before deciding to invest in accordance with an Online Amerivest asset allocation model, or make any decisions regarding implementing the model advice.

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

Amerivest does not exercise any discretion over Amerivest Online 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 Online Amerivest recommendation through his or her TD Ameritrade brokerage account, TD Ameritrade acts solely as a broker on an unsolicited basis in connection with such transactions, and is not acting as an advisor to the client. For each asset class or sub-asset class other than cash, one ETF is selected as the recommended investment. The table that lists these funds is retained and updated by Amerivest. Research pertaining to the fundamental features of each ETF provided to the client is available through easy links on the Web page.

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

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

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

Without assuming discretion, Online Amerivest began providing two automatic investment features in October 2005 for its clients with TD Ameritrade Investing Accounts or for RIAs whose clients have TD Ameritrade ASA Accounts. Using these features, such clients or RIAs are able to provide advance instructions for portfolio transactions within narrow parameters. The two features are known as Auto-Invest and Auto-Rebalance. Auto-Invest enables users who deposit cash into their dedicated TD Ameritrade accounts to invest such deposits, as well as other excess cash in their accounts, in shares of

the ETFs in their portfolio that are most underweighted from the user's previously selected asset allocation. Auto-Rebalance enables users to periodically (annually, semiannually, or quarterly) rebalance the ETF positions in their portfolios to their previously selected asset allocations to minimize portfolio drift. The details of the two features are set forth in the agreements. Those wishing to use them must enter into the appropriate agreement in order to enable the features. It is important to note that as a non-discretionary advisory service, the Auto-Rebalance feature does not automatically reallocate the portfolios to the new portfolio recommendations. The client must review, accept, and manually rebalance the portfolio to implement the new portfolio recommendations.

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

The asset allocation advice provided through Online Amerivest does not take margin into account. TD Ameritrade Investing Accounts are opened as cash accounts and margin is not available. In addition, Amerivest 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 Online Amerivest recommendations through his or her TD Ameritrade brokerage account, Amerivest's affiliate TD Ameritrade may receive commissions as a result. TD Ameritrade is currently not charging commissions on such transactions, however. Qualified TD Ameritrade Investment Consultants can assist in making the availability and nature of the Amerivest service known to potential clients and providing comparative information. They will also be available to discuss the output from the Amerivest interactive software and answer questions about the Amerivest service. Please see response below at *Other Financial Industry Activities and Affiliations* of this disclosure brochure.

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

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

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

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

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

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

Since June 2005, Online Self-Directed Amerivest clients and RIAs using the Amerivest for RIAs service have had the ability to create portfolios for themselves that deviate from those recommended by Amerivest. The "customization" feature allows Amerivest clients to override Amerivest's recommended asset allocations and choose their own allocations. This feature is intended to let clients take full account of their individual circumstances in connection with making their long-term asset allocations. Clients are able to use alternate ETFs from Amerivest's menu to implement their chosen allocations. On entering the "Customize Portfolio" feature, online clients see the original Amerivest-recommended asset allocation percentages as static text along with an alternate ETF tab. They are able to select allocation percentages for each of the Amerivest-recommended asset classes or sub-classes different from the originally recommended percentages. This, in turn, will allow for Amerivest's determination of the appropriate number of shares of the client-selected ETF to correspond with the desired allocation percentage. Clients who have established customized portfolios will have a link displayed that will enable them to readily see their then-current Amerivest-recommended portfolio allocation, which they can rebalance at any time. Such clients also have the ability to periodically rebalance their customized portfolios to their own previously chosen allocations based on input from Amerivest. Amerivest cautions clients establishing customized portfolios that they may be making choices that are inconsistent with their risk tolerance, goals, etc., and disclaims any responsibility as to such portfolios, which are unlikely to be "efficient." The customization feature is not available for Amerivest Target Date Investment Portfolios.

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

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



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

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

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

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

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

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

Amerivest provides an online discretionary service known as Amerivest Portfolios to retail clients of TD Ameritrade. The Amerivest Portfolios service is offered only on a discretionary basis that involves the continuous management of investment advisory accounts. As of February 10, 2014, Amerivest was providing discretionary advisory services to clients with approximately \$7,877,000,000 in assets. Amerivest assumes all investment duties with respect to the Amerivest Portfolios held in the client's TD Ameritrade Investing Account and has discretion with respect to such assets, including the initial allocation and ongoing rebalancing (buy, sell, exchange, or otherwise trade) based upon the client's selected Amerivest Portfolios strategy and according to Amerivest's investment policy for that strategy. Amerivest does not take discretion over assets that are not compatible with the Amerivest Portfolios strategy.

The Amerivest Portfolios discretionary service involves the use of Morningstar Associates as a consultant to Amerivest. In performing its services, Morningstar Associates 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 Associates nor MIS acts in the capacity of advisor to Amerivest's clients. Morningstar Associates' services to Amerivest with respect to Amerivest 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.

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

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

Amerivest's 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). Amerivest makes no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. Amerivest is unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investing in general, as well as the investments and the overall portfolio composition suggested by Amerivest. See response below at *Methods of Analysis, Investment Strategies, and Risk of Loss* of this disclosure brochure.

In order to participate in the Amerivest Portfolio 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 Amerivest recommendation through his or her TD Ameritrade brokerage account, TD Ameritrade acts solely as a broker on an unsolicited basis in connection with such transactions and is not acting as an advisor to the client.

In addition to the recommended funds, Amerivest will maintain a portion of the account in cash, the amount of which generally will be the greater of (i) 1% to 3% of the total account or (ii) a minimum cash buffer of \$300. The cash buffer ensures the availability of cash for payment of Amerivest's fee and provides liquidity to cover potential price changes in market orders. The cash will generally be held in the TD Ameritrade FDIC Insured Deposit Account provided by TD Bank, N.A. and TD Bank USA, N.A. The banks are affiliated with TD Ameritrade, Inc. and Amerivest Investment Management, LLC through their respective parent companies. (See *Client Referrals and Other Compensation* below.) Amerivest'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, Amerivest generally does 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. Amerivest Portfolios Using Mutual Fund Investments**

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

Amerivest Core Mutual Fund Portfolios Powered by Morningstar Associates are based on the online asset allocations recommended by Morningstar Associates 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, alternative, and fixed-income mutual funds. Amerivest 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 approximate allocations as a result of market movements or Amerivest'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. Amerivest Supplemental Income Portfolios Powered by Morningstar Associates Details**

The Amerivest Supplemental Income Portfolios Powered by Morningstar Associates service uses mutual funds as the primary investment vehicles. The asset allocations are based on recommendations from Morningstar Associates. Amerivest Supplemental Income Portfolios are generally for more conservative investors who may want supplemental income for retirement or other purposes or as a complement to other investment strategies with a secondary goal of growth. Due to the conservative nature of the portfolios, Amerivest has created only two models: Conservative and Moderate. The models will allocate assets among domestic equity, international, alternative, and fixed-income mutual funds with a focus on investing in income generating securities.

Amerivest 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 approximate allocations as a result of market movements or Amerivest'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 Amerivest 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 Amerivest 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. Amerivest Portfolios—General Description* above, Morningstar Associates provides asset allocation and investment selection services for Amerivest Portfolios.

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

Morningstar Associates will strive to meet the asset allocation targets as closely as possible while accounting for fund-specific attributes. However, the actual allocations will fluctuate (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 Associates establishes the fund allocations using asset classifications as defined by its parent company, Morningstar, Inc. If alternative classification methods are used, the allocations may not meet the asset allocation targets. Morningstar Associates is not affiliated with Amerivest or TD Ameritrade. Morningstar Associates is a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Morningstar Associates provides consultancy services to Amerivest Investment Management, LLC with respect to the fund allocations for the model portfolios. In performing its services, Morningstar Associates 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 Associates nor MIS acts in the capacity of advisor to Amerivest's clients. Amerivest, as licensee, will compensate Morningstar Associates (licensor) for its services. See response below at *Methods of Analysis, Investment Strategies, and Risk of Loss* of this disclosure brochure.

### **iv. Mutual Fund Recommendations**

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

Morningstar Associates 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 Associates supplies to TD Ameritrade. Through the growth of the Amerivest 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 Associates investment consultants. Morningstar Associates 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 Associates 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 Associates also considers funds that complement each other and whose underlying holdings have minimal unnecessary overlap. After Morningstar Associates completes its analysis, Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve taking steps to verify the data is reasonable in an effort to validate that the asset allocations and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly. Amerivest will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

The 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 Amerivest's affiliates, including 12b-1 distribution fees and other fees. Receipt of such fees and expenses poses a potential conflict of interest, which Amerivest seeks to address by, among other things, applying a Fee Credit (discussed in more detail below) designed to put clients whose Amerivest 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.

Amerivest 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. Amerivest will attempt to ensure that the lowest expense share class available to Amerivest clients on the TD Ameritrade platform is being selected. If a selected mutual fund has a lower expense share class that is available to Amerivest clients, Amerivest will select it for use in Amerivest Portfolios, so long as Amerivest determines the share class is suitable for Amerivest clients. Selecting a lower expense share class helps to reduce the amount of 12b-1 and other service-related fees charged by the mutual funds to Amerivest clients.

In some cases, however, the less expensive share class may not be suitable or available to Amerivest 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), Amerivest provides 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 Amerivest 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) 12b-1 and other service-related fees (collectively "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 Amerivest 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 Amerivest affiliates), Amerivest may have financial incentives to invest client assets in mutual funds and share classes that pay Amerivest or its affiliates compensation. Amerivest seeks to address these potential conflicts in various ways, including by engaging an independent fiduciary, Morningstar Associates, to provide advice and recommendations on mutual funds and share class alternatives, tasking the Amerivest 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 Amerivest or its affiliates. Further, Amerivest seeks to mitigate conflicts associated with TD Ameritrade and its affiliates receiving 12b-1 and other compensation from mutual funds in which Amerivest's clients are invested by ensuring that the Fee Credit equals or exceeds the actual amount of service-related fees received.

Amerivest may, in its discretion, accept mutual funds owned by the client into his or her TD Ameritrade Investing Accounts if the mutual funds are compatible with his or her Amerivest Core Mutual Fund Portfolios strategy. Amerivest 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 Amerivest Portfolios service. For example, if a client transfers in a retail share class mutual fund and Amerivest uses a lower expense share class of the same mutual fund, Amerivest 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 Amerivest 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, Amerivest 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 Amerivest believes 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. Amerivest will assume discretion as to the compatible mutual funds, and the client acknowledges that all or a portion of the contributed mutual funds may be redeemed, either initially or during the course of management of his or her strategy.

The 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 Amerivest reserves the right to not accept the request.

Furthermore, if the client's account falls below the minimum initial investment of \$25,000 as a result of taking systematic withdrawals, the client acknowledges that Amerivest 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.

Amerivest also reserves the right to accept ETFs that were previously recommended for an Amerivest Portfolio, as in cases when the current Online Amerivest client is switching to the Amerivest Core Mutual Fund Portfolio service or an exception has been granted. In such cases, the client grants Amerivest discretion to liquidate the ETFs and invest the proceeds in the client's selected Amerivest 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, Amerivest will not assume discretion as to such securities. The client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from Amerivest. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees, or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets. If the client's TD Ameritrade Investing Account has a cash balance equal or greater than the required investment minimum, Amerivest may enter the transactions to implement the client's Amerivest Portfolio using the available cash balance and work with the client to promptly remove the incompatible securities. Amerivest does 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 Amerivest Portfolios account, the client's TD Ameritrade Investing Account application (including related forms) and required Amerivest 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 the required investment minimum, the recommended trades for Amerivest Portfolios will be placed in the account during the next trading window (Amerivest intends to enter the transactions with TD Ameritrade at approximately 1 p.m. CST every business day on which securities markets are open, but reserves the right to change the time when appropriate. The orders will be executed at the end of the day).

However, in certain market conditions such as: 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, Amerivest reserves the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. Amerivest also reserves the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and Amerivest determines it is not to the benefit of the clients to enter the orders on an individual account basis.

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

### **b. Amerivest Portfolios Using Exchange Traded Funds ("ETF") Investments**

#### **i. Amerivest Core ETF Portfolios Powered by Morningstar Associates Details**

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

#### **ii. Opportunistic Portfolios Powered by Morningstar Associates Details**

The Amerivest 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 Amerivest Portfolios described above that use a strategic asset allocation method, the Amerivest 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 Amerivest Portfolios, the Amerivest Opportunistic Portfolios utilize diversified asset allocations recommended by Morningstar Associates including asset classes, such as domestic equity, international, alternative, and fixed income. However, since the Amerivest Opportunistic Portfolios have a tactical investment approach, there is a wider diversity of asset classes with industry sectors compared to the strategic Amerivest 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, Amerivest 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 Amerivest Opportunistic Portfolios use ETFs as the primary investment vehicle. Amerivest 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 approximate allocations as a result of market movements or Amerivest'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. Amerivest Portfolios—General Description* above, Morningstar Associates will provide asset allocation and investment selection services to Amerivest. Morningstar Associates provides consulting services to Amerivest but is not acting in the capacity of advisor to individual investors.

Morningstar Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest the same asset allocations for the portfolios. The Amerivest 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 Amerivest Core ETF Portfolios asset allocations use a strategic asset allocation approach and generally consist of broadly diversified asset allocations that Morningstar Associates will reassess at least annually or more frequently as warranted by market conditions or different portfolio strategies. Morningstar Associates will provide Amerivest with initial ETF recommendations and, at a minimum, annual strategy evaluations including reviewing the asset allocation and ETFs utilized. Morningstar Associates may also review the model portfolios quarterly (or more frequently) as warranted by market conditions and may provide Amerivest with recommended updates to the portfolios.

With the Amerivest Opportunistic Portfolios, Morningstar Associates 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 Associates will provide Amerivest with initial ETF recommendations and, at a minimum, monthly strategy evaluations including reviewing the asset allocation and ETFs utilized. Morningstar Associates reviews the model portfolios monthly (or more frequently) as warranted by market conditions and may provide Amerivest with recommended updates to the portfolios. Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them.

Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve verifying the inputs and risk analysis to validate that the asset allocations and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly. Amerivest will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

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

Amerivest may in its discretion accept ETFs owned by the client into his or her TD Ameritrade Investing Accounts if the ETFs are compatible with his or her strategy. Amerivest reserves the right to accept and utilize in the client's portfolio ETFs that were previously recommended for an Online Amerivest Self-Directed or Target Date Portfolio in cases when the current Online Amerivest client is switching to the Amerivest Core ETF Portfolio service. This may result in Amerivest maintaining different sets of ETFs in client portfolios. For example, if a client was in a Self-Directed Portfolio and switched to an Amerivest Core ETF Portfolio and moved previously recommended ETFs from his Self-Directed Portfolio to the new Core ETF Portfolio, Amerivest 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. Amerivest will assume discretion as to the compatible and previously recommended ETFs, and the client acknowledges that all or a portion of the contributed ETFs may be redeemed, either initially or during the course of management of his or her strategy. 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, Amerivest 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, Amerivest will not assume discretion as to such securities. The client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from Amerivest. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees, or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets. If the client's TD Ameritrade Investing Account has a cash balance equal or greater than the required investment minimum, Amerivest may enter the transactions to implement the client's Amerivest Portfolio using the available cash balance and work with the client to promptly remove the incompatible securities. Amerivest does 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 Amerivest Portfolios account, the client's TD Ameritrade Investing Account application (including related forms) and required Amerivest 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 the required investment minimum, the recommended trades for Amerivest Portfolios will be placed in the account during the next trading window. (Amerivest intends to enter the transactions with TD Ameritrade at approximately 1 p.m. CST every business day on which securities markets are open, but reserves the right to change the time when appropriate). Amerivest will aggregate orders of recommended purchases and sells and enter the orders with TD Ameritrade. (See response below at *Brokerage Practices* of this disclosure brochure.)

However, in certain market conditions such as: 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, Amerivest reserves the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. Amerivest also reserves the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and Amerivest determines it is not to the benefit of the clients to enter the orders on an individual account basis. These orders will be aggregated and will receive an average price that is separate from the regular daily trading job. Amerivest also reserves 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 Amerivest reserves the right to not accept the request. Furthermore, if the client's account falls below the minimum initial investment of \$25,000 as a result of taking systematic withdrawals, the client acknowledges that Amerivest 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. Amerivest Managed Risk Portfolio Powered by Morningstar Associates**

#### **i. Details**

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

The Amerivest 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 non-traditional 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. Multi-strategy
8. Commodities
9. Multi-sector fixed income
10. Risk parity

The Amerivest 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 approximate allocations as a result of market movements or Amerivest's adjustments pursuant to Morningstar Associates' 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 "non-diversified". 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 Amerivest 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 Amerivest 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. Amerivest Portfolios—General Description* above, Morningstar Associates provides asset allocation and investment selection services for Amerivest Portfolios. Morningstar Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest asset allocations and funds for the portfolios. As described above, the Amerivest 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). By combining funds that perform differently than the market may help to boost overall (absolute) returns while reducing risk.

Morningstar Associates is a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Morningstar Associates provides consultancy services to Amerivest Investment Management, LLC with respect to the fund allocations for the model portfolios, but is not acting in the capacity of advisor to individual investors. In performing its services, Morningstar Associates 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 Associates nor MIS acts in the capacity of advisor to Amerivest's clients.

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

## **iii. Mutual Fund Recommendations**

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

Morningstar Associates 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 Associates investment consultants. Morningstar Associates 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 Associates 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 Associates also considers funds that complement each other and whose underlying holdings have minimal unnecessary overlap. After Morningstar Associates completes its analysis, Amerivest will review the proposed asset allocation and investment selection recommendations from Morningstar Associates and may request modifications to them. Amerivest's review will involve taking steps to verify the data is reasonable in an effort to validate that the asset allocations and securities recommendations by Morningstar Associates are appropriate. If Amerivest approves the recommendations, the portfolios will be updated accordingly. Amerivest will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

The 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 Amerivest's affiliates, including 12b-1 distribution fees and other fees. Receipt of such fees and expenses poses a potential conflict of interest, which Amerivest seeks to address by, among other things, applying a Fee Credit (discussed in more detail below) designed to put clients whose Amerivest 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.

Amerivest 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. Amerivest will attempt to ensure that the lowest expense share class available to Amerivest clients on the TD Ameritrade platform is being selected. If a selected mutual fund has a lower expense share class that is available to Amerivest clients, Amerivest will select it for use in Amerivest Portfolios, so long as Amerivest determines the share class is suitable for Amerivest clients. Selecting a lower expense share class helps to reduce the amount of 12b-1 and other service-related fees charged by the mutual funds to Amerivest clients.

In some cases, however, the less expensive share class may not be suitable or available to Amerivest 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), Amerivest provides 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 Amerivest 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) 12b-1 and other service-related fees (collectively "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 Amerivest 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 Amerivest affiliates), Amerivest may have financial incentives to invest client assets in mutual funds and share classes that pay Amerivest or its affiliates compensation. Amerivest seeks to address these potential conflicts in various ways, including by engaging an independent fiduciary, Morningstar Associates, to provide advice and recommendations on mutual funds and share class alternatives, tasking the Amerivest 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 Amerivest or its affiliates. Further, Amerivest seeks to mitigate conflicts associated with TD Ameritrade and its affiliates receiving 12b-1 and other compensation from mutual funds in which Amerivest's clients are invested by ensuring that the Fee Credit equals or exceeds the actual amount of service related fees received.

Amerivest may, in its discretion, accept mutual funds owned by the client into his or her TD Ameritrade Investing Accounts if the mutual funds are compatible with his or her Amerivest Managed Risk Portfolio strategy. Amerivest 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 Amerivest Portfolios service. For example, if a client transfers in a retail share class mutual fund and Amerivest uses a lower expense share class of the same mutual fund, Amerivest 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 Amerivest 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, Amerivest 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 Amerivest believes 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. Amerivest will assume discretion as to the compatible mutual funds, and the client acknowledges that all or a portion of the contributed mutual funds may be redeemed, either initially or during the course of management of his or her strategy.

The 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 Amerivest reserves the right to not accept the request.

Furthermore, if the client's account falls below the minimum initial investment of \$25,000 as a result of taking systematic withdrawals, the client acknowledges that Amerivest 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.

Amerivest also reserves the right to accept ETFs that were previously recommended for an Amerivest Portfolio, as in cases when the current Online Amerivest client is switching to the Amerivest Managed Risk Portfolio service or an exception has been granted. In such cases, the client grants Amerivest discretion to liquidate the ETFs and invest the proceeds in the client's selected Amerivest 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, Amerivest will not assume discretion as to such securities. The client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from Amerivest. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees, or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets. If the client's TD Ameritrade Investing Account has a cash balance equal or greater than the required investment minimum, Amerivest may enter the transactions to implement the a client's Amerivest Portfolio using the available cash balance and work with the client to promptly remove the incompatible securities. Amerivest does 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 Amerivest Portfolios account, the client's TD Ameritrade Investing Account application (including related forms) and required Amerivest 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 the required investment minimum, the recommended trades for Amerivest Portfolios will be placed in the account during the next trading window (Amerivest intends to enter the transactions with TD Ameritrade at approximately 1pm CST every business day on which securities markets are open, but reserves the right to change the time when appropriate. The orders will be executed at the end of the day).

However, in certain market conditions such as: 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, Amerivest reserves the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. Amerivest also reserves the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and Amerivest determines it is not to the benefit of the clients to enter the orders on an individual account basis.

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

### **Fees and Compensation**

#### **i. Financial Planning**

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

#### **ii. Online Amerivest**

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

<b>Account Value</b>	<b>Annual Advisory Fee*</b>
First \$250,000	1.00%; subject to a minimum fee of the lesser of \$150 or 2.95%
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 Amerivest Self-Directed and Target Date Portfolios is \$25,000.

All pricing is subject to change on reasonable notice. Please note that Amerivest's advisory fees may be waived, in whole or in part, at the sole discretion of Amerivest, including in connection with promotional efforts 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. Amerivest also reserves 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. All pricing is subject to change on reasonable notice.

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

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

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



Advisory fees are not charged on assets that are not directly under Amerivest's 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.

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

### **iii. Amerivest Portfolios Using Mutual Fund Investments**

#### **a. Amerivest Core Mutual Fund Portfolios Fee Schedule**

<b>Account Value</b>	<b>Gross Annual Advisory Fee</b>	<b>Fee Credit Amount<sup>1</sup></b>	<b>Net Annual Advisory Fee<sup>2</sup></b>
First \$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. Amerivest Supplemental Income Portfolios Fee Schedule**

<b>Account Value</b>	<b>Gross Annual Advisory Fee</b>	<b>Fee Credit Amount<sup>1</sup></b>	<b>Net Annual Advisory Fee<sup>2</sup></b>
First \$100,000	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. Amerivest Managed Risk Portfolio Fee Schedule**

<b>Account Value</b>	<b>Gross Annual Advisory Fee</b>	<b>Fee Credit Amount<sup>1</sup></b>	<b>Net Annual Advisory Fee<sup>2</sup></b>
First \$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. Amerivest generally selects the lowest expense share class available to Amerivest clients on the TD Ameritrade platform. Selecting a lower expense share class helps to reduce the amount of 12b-1 and other service-related fees charged by the mutual funds to Amerivest clients. In some cases, however, the less expensive share class may not be suitable or available to Amerivest clients. To compensate for the added fees and expenses of more expensive share classes, Amerivest provides 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 Amerivest 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) 12b-1 and other service-related fees (collectively "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 Amerivest Portfolios, and (ii) any share class expense differentials between the classes used and the lowest cost available share classes. Amerivest seeks to mitigate conflicts associated with TD Ameritrade receiving 12b-1 and service-related fees from mutual funds in which Amerivest's 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. The maximum initial investment will vary depending on the model and suitability considerations.

Please note that Amerivest's advisory fees may be waived, in whole or in part, at the sole discretion of Amerivest, including in connection with promotional efforts 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. Amerivest also reserves 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. Amerivest 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 Amerivest fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement Amerivest's advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade, and the fee will be deducted from the assets in the related introducing account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc. If the client opens their related TD Ameritrade account during a quarter, Amerivest will collect a prorated fee for the balance of the quarter upon account funding. Advisory fees are not charged on assets that are not directly under Amerivest's management. This means that fees are not charged on (i) cash outside of the portfolio strategy (e.g. 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, Amerivest 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 an Amerivest client closes their related TD Ameritrade account within five business days of opening it, Amerivest will refund the fee paid in full promptly. The Core Mutual Fund and Supplemental Income Portfolios 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 Amerivest, Amerivest reserves 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, Amerivest reserves 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 Amerivest and TD Ameritrade. Amerivest reserves the right to provide its services to other types of clients (such as participants in 401(k) plans) and in other contexts (such as in conjunction with independent RIAs serviced by TD Ameritrade Institutional). Amerivest also reserves the right to vary its fee structure for such other types of clients and in such other contexts, as well as for TD Ameritrade employees.

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

Mutual fund companies utilized by the Amerivest Portfolios service reserve the right to charge fund-imposed, short-term redemption fees as detailed in the fund prospectus on transactions initiated due to client requests to raise cash. The mutual funds available in the Amerivest portfolios may be available directly from the fund companies, per the terms of the fund prospectuses and without paying the Amerivest 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, Amerivest may provide access to mutual funds or classes of funds that Amerivest clients may not be qualified to purchase outside of Amerivest.

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

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

#### **iv. Amerivest Portfolios Using Exchange Traded Fund Investments**

##### **a. Amerivest Core Exchange Traded Funds Portfolios Fee Schedule**

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

##### **b. Amerivest Opportunistic Portfolios Fee Schedule**

<b>Account Value</b>	<b>Annual Advisory Fee*</b>
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. The maximum initial investment will vary depending on the model and suitability considerations.

Please note that Amerivest's advisory fees may be waived, in whole or in part, at the sole discretion of Amerivest, including in connection with promotional efforts 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. Amerivest also reserves 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. Amerivest 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 Amerivest fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement Amerivest's advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade. The fee will be deducted from the assets in the related introducing account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc. If the client opens their related TD Ameritrade account during a quarter, Amerivest will collect a prorated fee for the balance of the quarter upon account funding. Advisory fees are not charged on assets that are not directly under Amerivest's 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, Amerivest 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 an Amerivest client closes their related TD Ameritrade account within five business days of opening it, Amerivest will refund the fee paid in full promptly.

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

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

Clients are also responsible for the fees and expenses for owning the ETFs. The expenses may include management fees, 12b-1 fees, administrative costs, and other various operational expenses. Please see the fund prospectuses for more information. The ETF expenses are separate and apart from the Amerivest advisory fee. ETFs are available outside of Amerivest without paying the Amerivest advisory fee but will be subject to trade commission and/or other transactions charges. Conversely, Amerivest may provide access to funds or classes of funds that Amerivest clients may not be qualified to purchase outside of Amerivest.

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

#### **v. Amerivest for RIAs**

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

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

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

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

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

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

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

Amerivest does not receive performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Advisory Business* 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**

Amerivest 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. Amerivest also makes its services available to certain RIAs on a sub-advisory basis, as described in the *Advisory Business* section above. The financial planning services are incidental to the asset allocation services.

The Amerivest asset allocation services are made available to brokerage clients of TD Ameritrade. The minimum initial investment for the Amerivest service required for a TD Ameritrade Investing Account or a TD Ameritrade ASA Account is generally \$25,000 (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, Amerivest may require the client to deposit additional money to bring the account up to the required

minimum, and Amerivest reserves the right to discontinue the advisory relationship and transfer the securities into a like-titled brokerage account with TD Ameritrade. Furthermore, the terms and conditions applicable to a TD Ameritrade Investing Account (or, for RIAs, a TD Ameritrade ASA Account) will apply to any brokerage activities in such an account, and such accounts are designed to enhance the Amerivest experience.

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

### i. Online Amerivest

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

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

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

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

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

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

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

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

Amerivest has retained Morningstar Associates to provide asset allocation and security selection of the Amerivest Portfolios. Amerivest Core Mutual Fund Portfolios Powered by Morningstar Associates are diversified asset allocation portfolios. Amerivest Supplemental Income Portfolios Powered by Morningstar Associates are diversified asset allocation portfolios generally for more conservative investors who may want supplemental income for retirement or other purposes or as a complement to other investment strategies with a secondary goal of growth. Due to the conservative nature of the portfolios, Amerivest has created only two models: Conservative and Moderate. The Amerivest 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 Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest the asset allocations. The asset allocation methodology is based on two factors: 1) an estimate of risk/return parameters relying on historic, current, and forecasted data; and 2) the use of a tactical asset allocation tool based on modern portfolio theory.

Morningstar Associates will provide Amerivest with initial investment options and quarterly strategy evaluations. Morningstar Associates will reassess the model portfolios quarterly (or more frequently as warranted by market conditions) and provide Amerivest with the updates to the portfolios. The fund universe includes the thousands of mutual funds available on the TD Ameritrade platform. The funds are carefully screened and analyzed by Morningstar Associates investment consultants. Morningstar Associates 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 Amerivest's affiliates, including 12b-1 distribution fees and other fees. Receipt of such fees and fees and expenses poses a potential conflict of interest, which Amerivest seeks to address by, among other things, applying a Fee Credit (discussed in more detail below) designed to put clients whose Amerivest 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. Amerivest 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. Amerivest will attempt to ensure that the lowest expense share class available to Amerivest clients on the TD Ameritrade platform is being selected. Amerivest generally selects the lowest expense share class available to Amerivest clients on the TD Ameritrade platform. Selecting a lower expense share class helps to reduce the amount of 12b-1 and other service-related fees charged by the mutual funds to Amerivest clients. [In some cases, however, the less expensive share class may not be suitable or available to Amerivest 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), Amerivest provides 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) 12b-1 and other service-related fees (collectively "service-related fees") received from the underlying mutual funds by TD Ameritrade as a result of servicing the mutual funds used in the Amerivest Portfolios, and (ii) any share class expense differentials between the classes used and the lowest cost share classes.]

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

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

### **iii. Amerivest Portfolios Using ETF Investments**

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

Amerivest Opportunistic Portfolios Powered by Morningstar Associates 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 Amerivest 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 Associates will use its proprietary qualitative and quantitative methodology to construct and recommend to Amerivest 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 Associates will provide Amerivest with initial ETF investment recommendations and monthly strategy evaluations. Morningstar Associates will reassess the ETFs in the model portfolios at least monthly (or more frequently as warranted by market conditions) and provide Amerivest with recommended updates to the portfolios. Amerivest will process the transactions for all applicable clients in the applicable models within a reasonable time frame from receipt of the updates.

The asset allocation methodology is based on two factors: 1) an estimate of risk/return parameters relying on historic, current, and forecasted data; and 2) the use of a tactical asset allocation tool based on modern portfolio theory. In addition, Morningstar Associates reviews the available ETFs using factors such as: tracking error, excess return over benchmark, fund net assets, net expense ratio, and the average premium/discount over the 12-month period.

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

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

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

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

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

## Types of Investments

### i. Online Amerivest

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

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

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

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

### ii. Amerivest Portfolios

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

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

Mutual funds are investment companies that are registered under the Investment Company Act of 1940. Most mutual funds are managed by investment advisors who research, select, and monitor the securities in the fund. Mutual funds sell and redeem their shares at NAV. The mutual funds recommended in the Amerivest Portfolios Powered by Morningstar Associates are 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 Amerivest's affiliates, including 12b-1 distribution fees and other fees. Receipt of such fees and expenses poses a potential conflict of interest, which Amerivest seeks to address by, among other things, applying a Fee Credit (discussed in more detail below) designed to put clients whose Amerivest 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.

Amerivest generally selects the lowest expense share class available to Amerivest clients on the TD Ameritrade platform. Selecting a lower expense share class helps to reduce the amount of 12b-1 and other service-related fees charged by the mutual funds to Amerivest clients. [In some cases, however, the less expensive share class may not be suitable or available to Amerivest 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) Amerivest provides 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 Amerivest 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) 12b-1 and other service-related fees (collectively "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 Amerivest 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. Amerivest Core ETF Portfolios Powered by Morningstar Associates**

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

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

The Amerivest 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 Amerivest 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. Amerivest Core Mutual Fund Portfolios Powered by Morningstar Associates* of this section.

#### **d. Amerivest Opportunistic Portfolios Powered by Morningstar Associates**

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

#### **e. Amerivest Managed Risk Portfolio Powered by Morningstar Associates**

The Amerivest 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 Amerivest 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 Amerivest 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. Amerivest Core Mutual Fund Portfolios Powered by Morningstar Associates* 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 investing, 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 risk 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.

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

#### **Risk of Loss**

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

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

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

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

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

## Disciplinary Information

Form ADV Part 2 requires investment advisors such as Amerivest 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 Amerivest 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 Amerivest or the integrity of its management.

## Other Financial Industry Activities and Affiliations

Amerivest 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, Amerivest is indirectly owned by the Corporation. The Corporation also owns TD Ameritrade and TD Ameritrade Clearing, Inc., registered broker/dealers, the former being an introducing broker and the latter being a clearing broker for TD Ameritrade.

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

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

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

TD Ameritrade is registered with the SEC as both a broker/dealer and an investment advisor. As a broker/dealer, TD Ameritrade may receive certain fees and commissions for effecting customer transactions. TD Ameritrade, acting in such a broker/dealer capacity, will forward orders from its advisory clients to TD Ameritrade Clearing, Inc., its clearing broker, for execution on a fully disclosed basis. In executing such transactions, subject to client consent and as required by applicable law, TD Ameritrade Clearing, Inc. may act as principal or agent, charging markups or markdowns on principal transactions and commissions on agency transactions. TD Ameritrade and certain affiliates underwrite securities, but TD Ameritrade, in its capacity as an investment advisor, does not recommend these securities to its advisory clients. In addition, the cash allocation in the Amerivest Portfolios is 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 Amerivest 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 Amerivest 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 Amerivest clients may be invested in more expensive share classes of particular mutual funds. Amerivest generally selects the lowest expense share class available to Amerivest clients on the TD Ameritrade platform. Selecting a lower expense share class helps to reduce the amount of 12b-1 and other service-related fees charged by the mutual funds to Amerivest clients. In some cases, however, the less expensive share class may not be suitable or available to Amerivest clients. To compensate for the added fees and expenses of certain class shares (as noted in the Fees and Compensation section) Amerivest provides a 35 basis points Fee Credit that reduces the Gross Annual Advisory Fee. The purpose of the Fee Credit is to put clients whose Amerivest 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) 12b-1 and other service-related fees (collectively "service-related fees") received from the underlying mutual funds by TD Ameritrade as a result of servicing the mutual funds used in the Amerivest 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 Amerivest affiliates), Amerivest may have financial incentives to invest client assets in mutual funds and share classes that pay Amerivest or its affiliates compensation. Amerivest seeks to address these potential conflicts posed by these potential financial incentives in various ways, including by engaging an independent fiduciary, Morningstar Associates, to provide advice and recommendations on mutual funds and share class alternatives, tasking the Amerivest 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 Amerivest or its affiliates. Further, Amerivest seeks to mitigate conflicts associated with TD Ameritrade receiving 12b-1 and service-related fees from mutual funds in which Amerivest's 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

Amerivest 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 Amerivest's personnel to adhere to high standards of honest and ethical conduct and, among other things, to comply with various reporting and approval requirements as to securities transactions. Copies of the Code are available to clients or prospective clients upon request.

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

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

In its investment advisory capacity, TD Ameritrade provides services with respect to 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 Amerivest. 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 Investment Consultants with a view to fostering their neutrality as between AdvisorDirect and Amerivest services 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 Amerivest service based on a number of factors to help ensure the appropriate advisory service is selected.

Amerivest prospects investing assets of an employee benefit plan subject to Title 1 of the Employee Retirement Income Security Act of 1974 ("ERISA") and/or Section 4975 of the Internal Revenue Code, including assets held in Individual Retirement Accounts ("IRAs"), Keogh plans, and other similar accounts should be aware that they are solely responsible for selecting Amerivest as the advisor for their plan or account. TD Ameritrade will not make that decision for them and is not an investment manager or a fiduciary within the meaning of ERISA with respect to any such account. Such prospects should seek information to enable them to independently determine whether Amerivest is appropriate for them. Among the factors to be considered in making that determination are: (i) the role that Amerivest would play in the investment portfolio as a whole; (ii) the risk of loss and the opportunity for gain (or other return) associated with using Amerivest; (iii) the composition of the plan's or account's investment portfolio with regard to diversification; (iv) the liquidity and current return of the plan's or account's investment portfolio relative to its anticipated cash flow requirements; and (v) the projected return on the plan's or account's investment portfolio relative to the prospect's investment objectives for the plan or account.

Amerivest's affiliates and TD Ameritrade associates (collectively "Associates") are allowed to invest in Amerivest portfolios through the same interactive software that is available to all clients. Associates may purchase the portfolios in the same manner as retail clients given the limited business model of Amerivest which deals exclusively with asset allocation models involving index products such as ETFs, mutual funds available on the 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 Amerivest are restricted from purchasing or selling any security (or derivative thereof) that they know or reasonably should know will be recommended in an Amerivest Portfolio (a) in their personal accounts and (b) in accounts as to which they have beneficial ownership (which includes (1) the accounts of a spouse, minor children, other persons living in their household and non-emancipated adult children (collectively, "family members"), (2) trusts established for the related person's benefit, family members, or any other relative as to which trusts the related person has sole or shared voting or investment power and (3) entities in which the related person or his/her family members have sole voting or investment power or as to which the related person or his/her family members have shared voting or investment power and pecuniary interests. However, the restriction does not apply to securities listed on the S&P 500 or other large cap issues with a market capitalization 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. The Amerivest discretionary ETF transactions are entered as block orders with TD Ameritrade and, if applicable, Associate accounts will be included in the block orders and will receive the same average price as clients to help ensure Associates do not benefit unfairly to the disadvantage of the clients. Furthermore, the list of recommended ETFs will be included on a "restricted list" and reviewed and compared against the personal trades of the Access Persons per the trading restrictions.

## Brokerage Practices

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

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

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

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

### Conflicts Relating to Mutual Fund Shares

In its capacity as broker-dealer, TD Ameritrade and other Amerivest affiliates may benefit from fees and expenses charged to Amerivest's 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 may include fees and expenses that are paid to TD Ameritrade or other of Amerivest's affiliates, including 12b-1 distribution fees and other fees. Receipt of such fees and expenses poses a potential conflict of interest, which Amerivest seeks to address by, among other things, applying a Fee Credit designed to put clients whose Amerivest 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) Amerivest 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 Amerivest affiliates), Amerivest may have financial incentives to invest client assets in mutual funds and share classes that pay Amerivest or its affiliates compensation. [Amerivest seeks to address these potential conflicts posed by these potential financial incentives in various ways, including by engaging an independent fiduciary, Morningstar Associates, to provide advice and recommendations on mutual funds and share class alternatives, tasking the Amerivest 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 Amerivest or its affiliates. Further, Amerivest seeks to mitigate conflicts associated with TD Ameritrade receiving 12b-1 and service-related fees from mutual funds in which Amerivest's clients are invested by ensuring that the Fee Credit Amount equals or exceeds the actual amount of service-related fees received.]

### Aggregation of Trades

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

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

Based on the quarterly recommendations (or more frequently as warranted by market conditions) of Morningstar Associates, Amerivest may rebalance the Amerivest Portfolios. There may be instances when the rebalance will entail a significant amount of transactions across all client accounts, Amerivest reserves 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. Amerivest 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

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

#### b. Amerivest Portfolios Using ETF Investments

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

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



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

However, in certain market conditions such as: 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, Amerivest reserves the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. Amerivest also reserves the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and Amerivest determines it is not to the benefit of the clients to enter the orders on an individual account basis. These orders will be aggregated and will receive an average price that is separate from the regular daily trading job.

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

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

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

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

#### **Written Aggregation Statement**

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

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

#### **Trade Error Policy**

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

## **Review of Accounts**

### **A. Reviews**

#### **Online Clients**

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

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

#### **Amerivest Portfolios Clients**

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

### **B. Reports**

#### **Online Clients**

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

## Amerivest Portfolios Clients

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

## Client Referrals and Other Compensation

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

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

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

Compensation for TD Ameritrade Investment Consultants ("ICs") consists of a salary component and an incentive bonus component. The incentive bonus pool is funded at each branch level based on several factors that may include branch net assets, branch new accounts, and corporate profitability. The allocation of the branch incentive bonus funding to individual ICs is based on individual performance across several factors relating to sales practices, gross assets acquired, new accounts opened, and teamwork. An IC's successful referral of your assets to Amerivest based on the amount of funding in the associated TD Ameritrade Investing Account may increase the IC's incentive bonus.

The IC 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 IC's referrals in a quarterly period. Furthermore, during certain times, TD Ameritrade may run sales contests where ICs may receive trips, gifts, meals, tickets, or other entertainment for successfully referring you to Amerivest 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 ICs in their office make successful referrals to Amerivest or play a role in investors' decisions to deposit additional assets in their TD Ameritrade Investing Accounts. Consequently, ICs and Branch Office managers have incentives to encourage you to implement an Amerivest portfolio or to move or deposit additional assets to your TD Ameritrade Investing Account and because of those incentives, they may refer you to Amerivest or deposit additional assets into your TD Ameritrade Investing Account instead of choosing other investment options for your assets.

TD Ameritrade ICs who are investment advisor representatives of AdvisorDirect have the ability to refer clients to AdvisorDirect and receive compensation for such referrals. While the compensation that an IC receives from TD Ameritrade for referral of a client to Amerivest or AdvisorDirect can be similar, in certain circumstances the compensation level for a referral of a client to Amerivest may exceed the compensation level for referral of a client to AdvisorDirect.

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

## Custody

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

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

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

## Investment Discretion

### Online Amerivest Clients

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

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



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

#### **Amerivest Portfolios Clients**

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

Amerivest may, in its discretion, accept mutual funds owned by the client into his or her TD Ameritrade Investing Accounts using the Amerivest Portfolio service if the mutual funds are compatible with his or her strategy. Amerivest 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 Amerivest Portfolios service. For example, if a client transfers in retail share class mutual fund and Amerivest utilizes a lower expense share class of the same mutual fund, Amerivest 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 Amerivest 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, Amerivest will review client accounts that transferred different share classes of in compatible mutual funds and will convert share classes to the approved share class where Amerivest believes 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. Amerivest will assume discretion as to the compatible mutual funds, and the client acknowledges that all or a portion of the contributed mutual funds may be redeemed, either initially or during the course of management of his or her strategy. Amerivest also reserves the right to accept ETFs that were previously recommended for an Amerivest Portfolio as in cases when the current Online Amerivest client is switching to the Amerivest Portfolio service or an exception has been granted. In such cases, the client grants Amerivest discretion to liquidate the ETFs and invest the proceeds in the client's selected Amerivest 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.

Amerivest may in its discretion accept ETFs owned by the client into his or her TD Ameritrade Investing Accounts using the Amerivest Core ETF Portfolio service if the ETFs are compatible with his or her strategy. Amerivest reserves the right to accept and utilize in the client's portfolio ETFs that were previously recommended for an Online Amerivest Self-Directed or Target Date Portfolio in cases when the current Online Amerivest client is switching to the Amerivest Core ETF Portfolio service. The limitations on compatible and previously recommended ETFs contained in this paragraph apply to both initial and subsequent contributions. Amerivest will assume discretion as to the compatible and previously recommended ETFs, and the client acknowledges that all or a portion of the contributed ETFs may be redeemed, either initially or during the course of management of his or her strategy. 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, Amerivest utilizes the higher ranked ETF for the asset class and the lower ranked ETFs 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, Amerivest will not assume discretion as to such securities. The client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from Amerivest. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees, or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets, and the client will be unable to invest in a strategy until the incompatible securities are removed from their TD Ameritrade Investing Account.

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

The Amerivest investment strategy is the recommendation of diversified asset allocation portfolios across a broad range of asset classes. Amerivest 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.

Amerivest generally honors the followings 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 Core ETF portfolios, clients may be able to restrict the purchase of a particular fund or fund family provided such restriction is not inconsistent with Amerivest's investment strategy or is not fundamentally inconsistent with the nature or operation of the service. If Amerivest honors the restriction, assets will be invested in a manner that is appropriate given your restriction. The ETFs designated for restriction by client will be replaced with alternatives selected by Amerivest. 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 Amerivest Portfolios investment advice provided through Amerivest. Amerivest features TD Ameritrade as a broker to use in making securities transactions, and TD Ameritrade provides separate, dedicated brokerage accounts to facilitate tracking of client positions in Amerivest-related securities. Brokerage services provided by TD Ameritrade, Inc.

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

## **Voting Client Securities**

Amerivest does not have authority over and specifically disclaims responsibility for voting proxies for securities in client accounts. Since Amerivest does not have proxy voting authority over securities in client accounts, Amerivest is not required to, and does not have, policies and procedures in place to govern the voting of proxies.

## **Financial Information**

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

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