

# AdvisorDirect<sup>®</sup> Disclosure Brochure

## FORM ADV, PART 2

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This brochure provides prospective clients with information about AdvisorDirect, a national referral service for TD Ameritrade, Inc. ("TD Ameritrade") that should be considered before or at the time of participating in the AdvisorDirect referral program. If you have any questions about the contents of this brochure, please contact us at 800-934-6124. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Please be advised that TD Ameritrade will not assign its duties to you to any other party without your consent.

Additional information about TD Ameritrade, Inc. is also available on the SEC's website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov). The IARD/CRD number for TD Ameritrade is [CRD # 7870].

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

IMPORTANT INFORMATION IS CONTAINED THROUGHOUT THIS DISCLOSURE DOCUMENT. PLEASE READ IT CAREFULLY IN ITS ENTIRETY, AND BE CERTAIN TO ASK A TD AMERITRADE FINANCIAL CONSULTANT IF YOU HAVE ANY QUESTIONS. YOU MAY NOT HIRE ANY ADVISOR REFERRED TO YOU THROUGH ADVISORDIRECT UNTIL YOU SIGN A FORM THAT ACKNOWLEDGES THAT YOU HAVE READ AND UNDERSTAND THIS DISCLOSURE STATEMENT.



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## Advisory Business

TD Ameritrade, Inc. ("TD Ameritrade") (member FINRA/SIPC) provides custody, brokerage, and other financial services to retail clients as well as independent financial advisors and their clients. TD Ameritrade Institutional is a division of TD Ameritrade. TD Ameritrade is a subsidiary of TD Ameritrade Online Holdings Corp., which is a wholly owned subsidiary of TD Ameritrade Holding Corporation ("TDAHC"). On October 6, 2020, TD Ameritrade Holding Corporation became a wholly owned subsidiary of The Charles Schwab Corporation ("Schwab"), a publicly traded company. As a result, TD Ameritrade became affiliated with Schwab and its subsidiaries. TD Ameritrade is a registered broker-dealer that principally provides discount brokerage services. Approximately 100% of TD Ameritrade's business is derived from brokerage and related services. TD Ameritrade client accounts are carried on a fully disclosed basis by its affiliate, TD Ameritrade Clearing, Inc., and clients are charged discount brokerage commissions, as applicable.

TD Ameritrade has been registered with the Securities and Exchange Commission since August 22, 2001. **For additional information about TD Ameritrade, see response below at "Other Financial Industry Activities and Affiliations."**

### OVERVIEW OF ADVISORDIRECT

AdvisorDirect is a national referral service for TD Ameritrade retail clients, prospective clients, and other investors who wish to engage the services of an independently registered investment advisory firm. AdvisorDirect refers interested TD Ameritrade retail clients, prospective clients, and other investors to one or more independent investment advisory firms that are unaffiliated with TD Ameritrade and that offer investment management and/or financial planning services (collectively, "investment advisory services") to investors served by TD Ameritrade's branch offices ("Branch Office"). A Branch Office will refer a client who is interested in pursuing investment advisory services to one or more advisors. AdvisorDirect is available to individuals, institutions, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other entities.

All the investment advisors in AdvisorDirect ("Advisors") have been screened and have been found to meet or exceed TD Ameritrade's professional eligibility requirements to participate in AdvisorDirect. The Advisors work independently and are not employees of, nor affiliated with, TD Ameritrade.

Your Branch Office will assist you in finding an Advisor whose investment style or financial planning services closely match the client information you provide. TD Ameritrade will consider an Advisor's minimum account balance requirement before making a referral. While the Program may offer you an initial choice of one or more independent Advisors, you together with your Advisor are solely responsible for monitoring your Advisor's performance and fitness for your needs thereafter.

TD Ameritrade will provide you with pertinent information about any Advisor it refers you to. Once you have reviewed that information, TD Ameritrade recommends that you interview the Advisors to discuss their qualifications and the services they offer to determine which Advisor closely matches your investment needs. There is no cost or obligation for an introductory interview with any Advisor.

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

### CRITERIA FOR ADVISOR PARTICIPATION IN ADVISORDIRECT

#### Minimum Eligibility Requirements

To participate in AdvisorDirect, an Advisor must meet the minimum

eligibility criteria described below (as well as any additional criteria that TD Ameritrade may, from time to time, apply).

TD Ameritrade may, without notice, change the eligibility criteria for Advisors participating in AdvisorDirect at any time. In addition, TD Ameritrade may modify or waive criteria for Advisors on a case-by-case basis. TD Ameritrade does not monitor an Advisor's investment performance, nor is an Advisor's past investment performance considered for selection for AdvisorDirect.

Participating Advisors generally must meet the following criteria:

- 1. Fee-Based Compensation.** Each Advisor is compensated on a fee basis ("advisory fee") for the investment advisory services it provides to clients it receives through AdvisorDirect. The advisory fee may be calculated by a percentage of your assets under management, a fixed fee, or billed on an hourly rate for financial planning and/or investment management services. For investment management services, an Advisor may also charge fees based on a share of a referred client's capital appreciation if the Advisor determines such fees are permitted under applicable federal and state laws, rules, and regulations. **See response below at "Performance-Based Fees and Side-By-Side Management"** of this Disclosure Brochure.
- 2. Education and Investment Experience.** All aspects of the investment management and/or financial planning services the Advisor provides to you will be rendered by and/or supervised and reviewed by representatives of the Advisor who have at least one of the following:
  - a minimum of 10 years of experience managing money and investments as a primary occupation, which may include work as a registered representative, portfolio manager, or financial planner; or
  - a bachelor's degree from an accredited four-year institution and a minimum of five years of experience managing money and investments as a primary occupation, which may include work as a registered representative, portfolio manager, or financial planner; or
  - a minimum of five years of experience managing money and investments as a primary occupation, which experience may include work as a registered representative, portfolio manager, or financial planner, and one or more of the following designations: CFA (Chartered Financial Analyst), CFP (Certified Financial Planner), CPA-PFS (Personal Financial Specialist), CIC (Chartered Investment Counselor), or CIMA (Certified Investment Management Analyst).
- 3. Assets Under Management.** An Advisor generally must have at least \$100 million in assets under management. At its discretion, TD Ameritrade may revise this minimum requirement.
- 4. Licensing and Registration.** Each Advisor must be either (a) registered with the Securities and Exchange Commission ("SEC") as an investment advisor or be (b) a financial institution not required to register with the SEC that is registered with a state regulatory authority, if applicable, and/or is subject to oversight by a state regulatory authority. All persons who are employed by or associated with an Advisor must comply with applicable federal and state registration, filing, notification, licensing, fee, and qualification requirements. TD Ameritrade makes no representation about any Advisor's compliance with, or exclusion or exemption from, any state's or other jurisdiction's investment advisor requirements.

#### Other Considerations for Selection for AdvisorDirect

AdvisorDirect is not open to all investment advisors who meet the minimum eligibility requirements. TD Ameritrade limits the number of investment advisors selected to participate in AdvisorDirect based on the services provided by, and investment style of, the Advisor. Each investment advisor considered for AdvisorDirect is a client of TD Ameritrade Institutional.

If an investment advisor otherwise meets TD Ameritrade's eligibility criteria for AdvisorDirect, TD Ameritrade may take into consideration the investment advisor's business relationship with TD Ameritrade in selecting an investment advisor to participate in AdvisorDirect. TD Ameritrade Institutional provides custody, trading, technology, research, administrative, and other support and services to independent investment advisors whose clients' assets are held in custody with TD Ameritrade. An investment advisor that otherwise meets the minimum eligibility criteria may be selected for AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, the investment advisor's clients' accounts maintained at TD Ameritrade. In addition, TD Ameritrade may require an investment advisor to maintain a minimum amount of assets at TD Ameritrade to be considered for participation in AdvisorDirect.

TD Ameritrade will most likely recommend Advisors to you that are successful in entering into investment advisory agreements with referred clients, as such Advisors pay TD Ameritrade fees. Furthermore, because TD Ameritrade makes profits by maintaining your assets and executing your trades, it will most likely recommend Advisors to you that tend to encourage their clients to custody their assets at TD Ameritrade. Consequently, to obtain additional client referrals from TD Ameritrade, your Advisor may have an incentive to recommend to you that you custody your assets under management through your Advisor with TD Ameritrade. Your Advisor has also agreed not to solicit you to transfer your brokerage account from TD Ameritrade or establish brokerage or custody accounts at other custodians other than when its fiduciary duties to you would require it to recommend other broker-dealers or custodians. The other considerations create conflicts of interest for TD Ameritrade (See, Other Financial Industry Activities and Affiliations below).

For certain clients in the AdvisorDirect referral program, your employer may have additional requirements, beyond those herein described, that affect the eligibility of Advisors to participate in the AdvisorDirect program.

## THE REFERRAL PROCESS

### The AdvisorDirect Client Questionnaire

The AdvisorDirect Client Questionnaire is designed to solicit information from you so that TD Ameritrade can refer an Advisor to you that closely matches your investment goals, financial needs, and risk tolerance. Such information may include, but not be limited to, your time horizon, risk tolerance or investment objectives, amount of investable assets, and preference for investment vehicles. Your AdvisorDirect Client Questionnaire will only be forwarded to Advisors upon your permission. Each Advisor has agreed to maintain the confidentiality of the information you provide in your AdvisorDirect Client Questionnaire. In addition, each advisor should be bound by its privacy policy and procedure, which should be provided to you at time of engagement.

To assist TD Ameritrade in referring an Advisor to you, you will be asked to select one of the following investment objectives that most closely meets your investment needs. The following strategies are provided for informational purposes only. Since your AdvisorDirect portfolio is designed and managed in accordance with your individual financial circumstances, investment objectives, and preferences, the strategy and asset allocation of your account may differ from those described herein or from those of other clients who may have similar objectives or levels of risk.

1. **Aggressive Growth.** Emphasis on maximizing capital growth, willing to accept significant fluctuation of portfolio value. Offers the potential for higher returns for significantly higher levels of risk. Many Aggressive Growth stocks trade at high valuations and pay no dividends, and their value may depend on certain

changes in business activity. Aggressive Growth investments may include growth stocks with high valuations, aggressive stock mutual funds, and industry sector mutual funds. Aggressive Growth investments may meet your investment needs if you are seeking long-term capital growth with no immediate need to withdraw funds.

2. **Growth.** Emphasis on capital growth, willing to accept moderate fluctuation of portfolio value. Offers the potential for greater total returns than Growth and Income or Income investments, but with increased risk. Growth investments offer little or no dividend income and depend considerably on earnings growth for long-term returns. Growth investments may include stocks of rapidly growing companies and growth mutual funds. Growth investments may meet your investment needs if you are seeking long-term price appreciation with no immediate need to withdraw funds.
3. **Growth and Income.** Emphasis on modest capital growth, willing to accept low to moderate fluctuation of the portfolio value. Offers the potential for both long-term growth and current dividend income. Growth and Income investment prices are less stable than those for Income investments, but their higher dividend income can provide greater price stability than pure Growth investments. Growth and Income investments may include common stocks with dividends, equity mutual funds with dividends, convertible bonds, and real estate investment trusts (REITs). Growth and Income investments may meet your investment needs if you are seeking to achieve a combination of capital appreciation and current income, and are willing to assume a moderate degree of risk in return for long-term growth of capital.
4. **Capital Preservation and Income.** Emphasis on income, willing to accept only minimal fluctuation of the portfolio value. Offers the potential for a fixed rate of interest or dividend income. Income investments generally decline in value when interest rates rise. Income investments may include: Certificates of Deposit (CDs); corporate, government, or municipal bonds; and bond mutual funds. Income investments may meet your investment needs if you are seeking to maximize current income rather than growth of principal. There is still investment risk involved.
5. **Capital Preservation.** Emphasis on secure income, willing to accept a lower potential rate of return while minimizing investment risk. Capital Preservation investments primarily include money market funds and CDs. Capital Preservation investments may meet your investment needs if you are concerned with protecting your principal rather than achieving price appreciation. Capital Preservation investments are generally appropriate for conservative investors.

If you are interested in financial planning services, you may also be matched with an Advisor through AdvisorDirect based on the services you are seeking. These services may require the payment of an additional fee. An Advisor may provide one or more of the following services:

1. **Comprehensive Financial Plan.** A complete financial plan that provides you with a long-term strategy for your financial future, taking into consideration your financial situation and how each aspect of it affects your potential to achieve your financial goals and objectives.
2. **Specialty Plan.** A plan focusing on a single financial goal or issue, such as education funding, retirement planning, or estate planning.
3. **Hourly Consultation.** Hourly assistance on a specific financial issue or concern, such as tax strategies, insurance, or business-owner issues.

## Advisor Referrals

Once you have completed the AdvisorDirect Client Questionnaire, TD Ameritrade will refer you to an Advisor(s) that closely meets your investment needs based on the CQ criteria you have provided to TD Ameritrade. TD Ameritrade will consider whether to refer an Advisor to you whose minimum account balance requirement exceeds your investment amount. For each referred Advisor, TD Ameritrade will provide you with the following materials:

- An Advisor Profile for each Advisor that can potentially meet your investment needs;
- Part 2A of the Advisor's Form ADV or equivalent brochure ("Brochure");
- An AdvisorDirect Disclosure and Acknowledgment Form
- Form ADV Part 2B (the Brochure Supplement) for the TD Ameritrade Financial Consultant.

Each Advisor Profile is prepared by TD Ameritrade based on information provided by the Advisor. It contains professional information designed to help you make an informed decision about whether a particular Advisor is right for you.

A copy of the Advisor's Brochure accompanies each Advisor Profile. The Brochure is prepared by the Advisor. It contains important information regarding the services offered by the Advisor, the fees charged for such services, the general terms by which accounts are managed, how securities are analyzed, the Advisor's affiliations with other financial institutions, and a description of the Advisor's education and business background. You should carefully review an Advisor's Brochure before entering into an investment advisory agreement with an Advisor. Neither the SEC nor TD Ameritrade has reviewed or verified the accuracy or adequacy of the information contained in an Advisor's Brochure. Each Advisor is solely responsible for the accuracy and completeness of the information contained in its Advisor Profile and Brochure. You should direct any questions you have regarding the information in the Brochure to the Advisor.

Unless you elect not to be contacted by an Advisor, a referred Advisor will contact you to arrange an initial personal interview, free of charge and with no obligation. An Advisor may conduct the initial interview by telephone unless you request that it be held in person.

You should consider asking your referred Advisor some questions about it and its investment services. TD Ameritrade encourages you to thoroughly evaluate the background of, and the investment products offered by, each Advisor. An Advisor will welcome your questions, no matter how basic. The questions provided below are not intended to be exhaustive, and you should ask questions that are specific to your individual situation and investment needs.

Some questions to begin with may include:

- What is your investment philosophy?
- How does your management style match my investment goals?
- Are these investment products registered with the SEC and my state securities agency?
- What are the total fees to purchase, sell, and maintain this type of investment product?
- What are the specific risks of the investment product, and what has your past performance been for clients with risk tolerances similar to mine?
- How are you compensated and what conflicts of interest, if any, exist with the services you provide?
- Have you ever been disciplined by the SEC, a state regulator, or other organization?

Although performance returns are a factor that certainly should be considered when selecting an Advisor, you should be careful that you do not select your Advisor solely on the basis of past performance returns. Past performance is never a guarantee of future performance. **TD Ameritrade does not monitor an Advisor's performance, nor is an Advisor's past performance considered for AdvisorDirect program eligibility.**

Each Advisor will assist you in determining whether discretionary investment advice and/or financial planning services is/are suitable for you, and the type and nature of investment advisory services that you should obtain. The Advisor will assist you in determining your investment objectives and risk tolerances. If you decline the Advisor's investment advisory services, the Advisor has an agreement with TD Ameritrade not to refer you to any other investment advisor or financial services firm and to use its best efforts to refer you back to TD Ameritrade. If you so choose, TD Ameritrade may be able to assist you in referring another Advisor that may meet your investment needs.

As part of an Advisor's services, an Advisor may recommend and assist you in selecting a professional money manager. That manager would also have discretionary authority to manage all or a portion of your assets. In such a case, the money manager may charge his/her own advisory fee, which would be in addition to any fees charged by your Advisor. **See response below at "Investment Discretion."**

## RELATIONSHIP WITH YOUR ADVISOR

### Investment Advisory Agreement

Before you invest with an Advisor, your Advisor will provide you with an investment advisory agreement. Prior to entering into an investment advisory agreement with an Advisor, you must sign an AdvisorDirect Disclosure and Acknowledgement Form ("Acknowledgement"). By signing the Acknowledgement, you acknowledge that you have read and understand this Disclosure Document and all the information contained in the Acknowledgement. You should carefully review the investment advisory agreement and any additional information provided by the Advisor to ensure that you understand the nature and terms of your relationship. TD Ameritrade is not a party to the advisory agreement between you and your Advisor.

### Authorizations You May Grant Your Advisor

You have the right to authorize your Advisor to make certain types of transactions with respect to assets you custody at TD Ameritrade. First, you may give your Advisor trading authority over your TD Ameritrade account. Granting your Advisor trading authority permits your Advisor to act in the same manner and with the same force and effect as if you had acted with respect to transactions in your account. That authority will also apply to anything else necessary or incidental to purchases and sales in your account. Pursuant to such trading authority, your Advisor may authorize TD Ameritrade to follow its trading orders in connection with your account. Second, you may authorize your Advisor in writing to transfer to you or to an account of identical registration at another financial institution, money, securities, or other property you custody in your TD Ameritrade account. Finally, under some circumstances, you may authorize your Advisor to disburse assets (including money) from your account to third parties, provided TD Ameritrade permits it and your Advisor provides you with the necessary disclosure. However, many Advisors will not issue instructions for transfers to third parties, and TD Ameritrade may not allow such authority over your account. Any of these authorizations that you give to your Advisor will remain in effect until (i) you notify TD Ameritrade in writing that you have withdrawn your authorization, or (ii) TD Ameritrade notifies you that TD Ameritrade will no longer honor your authorization.

**See response below at "Investment Discretion."**



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

When you select an Advisor through AdvisorDirect, the Advisor will typically charge you fees based on a percentage of your assets under management with the Advisor, a fixed fee, or a fee based on an hourly rate. In certain cases, you may also be charged a fee based on the capital appreciation of your assets. These fees are typically detailed in the advisory agreement between you and your Advisor.

You can also review an Advisor's fee schedule in the Brochure provided to you by the Advisor. Your Advisor has agreed not to charge any fees or costs higher than the Advisor's standard fee schedule offered to its other advisory clients. Your advisory fees may vary according to several factors, including, but not limited to, your account size and servicing requirements. An Advisor's Brochure will disclose whether fees may be negotiable. You may authorize TD Ameritrade to deduct your Advisor's investment advisory fees and expenses directly from your account(s) held in custody at TD Ameritrade and remit them directly to your Advisor. **See response below at "Fees and Compensation."**

### **Monitoring Investment Performance**

TD Ameritrade is registered with the SEC as both a broker-dealer under the Securities Exchange Act of 1934, and as an investment advisor under the Investment Advisers Act of 1940. TD Ameritrade is acting as an investment advisor when referring you to one or more Advisors. However, once you have selected an Advisor, it is your responsibility to monitor your Advisor's investment and overall performance. TD Ameritrade is not responsible for monitoring or supervising your Advisor, selecting your investments, for the actual performance of your investments, or for monitoring the performance of your investments. TD Ameritrade has no discretionary authority or control with respect to your assets under management with your Advisor and will only effect securities transactions for your account that have been instructed by you or your Advisor. Your Advisor directs all trades; however, you will receive account statements and trade confirmations from TD Ameritrade.

Your investments' performance can be monitored in a variety of ways. These include promptly reviewing your account statements and trade confirmations, keeping apprised of your investment portfolio, and meeting periodically with your Advisor to discuss your investments and/or financial planning objectives.

It is imperative that you promptly review and understand what your account statements and trade confirmations are telling you. If you or your Advisor have any questions about your TD Ameritrade statements and/or trade confirmations, contact TD Ameritrade, in accordance with your Client Agreement. Your account statements and trade confirmations will assist you in determining whether your investments are meeting your investment expectations and goals and if the investments are performing as you were led to believe they would by your Advisor. If your goals have changed, you must make certain that your investments are still suitable, and you should promptly discuss such changes with the Advisor. Your Advisor must always have a clear understanding of your current goals and attitudes toward risk, which your Advisor will only know if you communicate this information.

In monitoring your investments' performance, some questions you may want to ask yourself or your Advisor are as follows:

- Do my investment returns exceed the current rate of inflation or my advisory fees?
- Has the value of my investments been preserved in down markets?
- Is the performance of my investments consistent with comparable benchmarks that measure market performance or other money managers with similar money management styles?

- How much money will I receive if I sell my investments today?
- Is the performance information presented net or gross of fees?
- How much am I paying in commissions or fees?
- Is the performance information focused solely on a time period of rising markets or external factors that enhance my investments' performance returns?

Remember that it is your investment at stake and that you are paying for the advice of your Advisor. Communicate with your Advisor, and remember that whether you are a beginner or have been investing for many years, it is never too early or too late to start asking questions. If at any time you become dissatisfied with your Advisor, consider withdrawing your Advisor's discretionary or other authority. **See response below at "Review of Accounts."**

### **Assignment and Termination**

Your Advisor cannot assign your investment advisory agreement to another investment advisor without your prior consent.

You may terminate your investment advisory agreement with your Advisor at any time without penalty. If you have prepaid your advisory fees and you terminate your advisory agreement, your Advisor must provide you with a pro rata refund of your prepaid fees.

An Advisor may terminate his/her participation in AdvisorDirect at any time upon written notice to TD Ameritrade. Similarly, TD Ameritrade may remove an Advisor from AdvisorDirect at any time upon notice to the Advisor. Neither your Advisor nor TD Ameritrade is obligated to notify you if your Advisor or TD Ameritrade terminates its relationship with the other. If either your Advisor or TD Ameritrade terminates its relationship with the other, your Advisor is contractually obligated to continue to pay TD Ameritrade fees in accordance with the terms discussed in Fees and Compensation below as long as you remain a client of the Advisor.

### **ONGOING INVOLVEMENT OF TD Ameritrade**

Once you have hired your Advisor, the Financial Consultants, or Senior Financial Consultants, collectively "financial consultants," at your Branch Office may reach out to you periodically for your feedback on a number of topics, which may include: any service needs you may have, whether you are satisfied in your current relationship with TD Ameritrade, or whether it would be appropriate for you to deposit additional assets in your investment advisory account at the Advisor. TD Ameritrade has an incentive to encourage you to deposit additional assets with your Advisor, because the amount of fees your Advisor pays TD Ameritrade increases as your advisory account grows. See, Other Financial Industry Activities and Affiliations, below. Nonetheless, a financial consultant's recommendation that you deposit additional assets in your advisory account does not mean that anyone at TD Ameritrade has monitored the performance of your investments at the Advisor or is responsible for conducting such monitoring. Furthermore, although a financial consultant may recommend that you give more assets to your Advisor to manage, it is your sole decision to determine whether you wish to act on that recommendation and deposit additional assets with your Advisor. **See response below at "Review of Accounts."**

### **IMPORTANT INFORMATION**

AdvisorDirect is a referral service that provides information about independent investment advisors. TD Ameritrade will assist you in selecting an investment advisory firm that may meet your investment needs by providing you with information for your analysis and evaluation. It is your sole decision to select an Advisor referred to you, grant an Advisor discretionary authority over your assets, or obtain financial planning services from an Advisor. The attendance of a TD Ameritrade representative at

any meeting with an Advisor does not alter in any way your sole responsibility for selecting and monitoring your Advisor. Although TD Ameritrade is acting as an investment advisor in referring your Advisor to you, TD Ameritrade will not provide investment advice to you in connection with your assets under management with an Advisor. Nonetheless, pursuant to the agreement entered into between your Advisor and TD Ameritrade, your Advisor has agreed not to invest your assets in certain specific securities or specific classes of securities as determined by TD Ameritrade from time to time. If you had hired your Advisor without being referred to the Advisor through TD Ameritrade, the Advisor would not be subject to such investment restrictions with respect to your account. You may ask your Advisor whether your account will be subject to any such restrictions.

An Advisor may use a third-party investment advisor and/or vendor to deliver some or all of the investment and account services contracted for. TD Ameritrade has not evaluated any such third party and makes no warranties or representations regarding such services. You and your Advisor have the sole responsibility for evaluating and monitoring any such third party.

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

## IMPORTANT INFORMATION FOR ASSETS SUBJECT TO ERISA AND/OR COMPARABLE PROVISIONS OF THE INTERNAL REVENUE CODE

If you are investing assets of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") and/or Section 4975 of the Internal Revenue Code, including assets held in Individual Retirement Accounts ("IRAs"), Keogh plans, and other similar accounts, you must be aware that under AdvisorDirect, TD Ameritrade's fiduciary duty within the meaning of ERISA is limited to the AdvisorDirect referral(s) as to one or more Advisors that may be appropriate for your Plan or account. TD Ameritrade does not act as a fiduciary within the meaning of ERISA nor provide advice within the meaning of ERISA to your Plan or account regarding investment decisions within your account. Such responsibility is solely yours and your independent advisor's responsibility. Under AdvisorDirect, TD Ameritrade will provide information that will enable you to independently determine whether one or more Advisors are appropriate for your plan or account. Among the factors that you must consider in making that determination (as well as the determination to participate in AdvisorDirect) are the following:

- the role that any particular Advisor will play in your plan's or account's investment portfolio as a whole;
- the risk of loss and the opportunity for gain (or other return) associated with the Advisor;
- the composition of your plan's or account's investment portfolio with regard to diversification;
- the liquidity and current return of your plan's or account's investment portfolio relative to its anticipated cash flow requirements; and
- the projected return on your plan's or account's investment portfolio relative to your investment objectives for the plan or account.

## Fees and Compensation

### Fees Paid To TD Ameritrade

Before you sign an investment advisory agreement with an Advisor, you are required to sign the AdvisorDirect Disclosure and Acknowledgement Form in which you acknowledge that you understand the fees that are paid to TD Ameritrade by your Advisor. Furthermore, as described below, by signing the AdvisorDirect Disclosure and Acknowledgement Form you acknowledge that you understand that you may pay TD Ameritrade fees for servicing your account.

### Fees Paid to TD Ameritrade for Your Referral

You will not be charged any direct fees for any referrals, materials, or assistance provided to you by TD Ameritrade's representatives in connection with AdvisorDirect. However, the Advisor you select to manage your assets compensates TD Ameritrade for AdvisorDirect referrals according to the fee structure described below. Your Advisor has agreed not to charge you advisory fees higher than the advisory fees your Advisor charges its clients who are not referred through AdvisorDirect or otherwise pass the fees paid to TD Ameritrade to you. Pursuant to your agreement, your Advisor has agreed to disclose to TD Ameritrade, upon TD Ameritrade's request, the amount of your assets receiving the Advisor's investment advisory services that are held in custody with another financial institution. This information may be necessary for TD Ameritrade to properly calculate the fees your Advisor owes TD Ameritrade. This information would not otherwise be disclosed to TD Ameritrade.

Your Advisor will pay TD Ameritrade a fee ("Solicitation Fee") as follows:

- For Client relationships initiated before July 1, 2010, a maximum of 15% of the advisory fees the Advisor receives from Clients for the life of the Advisor's advisory relationship with the Client.
- For Client relationships initiated on or after July 1, 2010, a maximum of 25% of the advisory fees the Advisor receives from Clients for the life of the Advisor's advisory relationship with the Client.
- New Solicitation Fee - For Referred Client relationships initiated on or after April 10, 2017 (excluding assets subject to a Special Services Addendum) or relationships moved at the one-time election of the Advisor, the following Solicitation Fee applies\*:

Referred Client Assets	Solicitation Fee on Assets
Assets up to \$2 million	.25%
Assets over \$2 million up to \$10 million	.10%
Assets over \$10 million	.05%

\* In certain advisory investment situations, the Solicitation Fee payable to TD Ameritrade may be lower.

- Also, your Advisor agrees to pay TD Ameritrade in accordance with the Schedule above (or such percentage as disclosed in the ADV) of the advisory fees the Advisor receives from any of your immediate family member for the life of the Advisor's advisory relationship with the family member.

For all scenarios above, if your Advisor is not paid its advisory fee from your TD Ameritrade account, and your Advisor has not informed TD Ameritrade of the amount of the advisory fee it receives from you or your Advisor otherwise agrees, your Advisor will be charged the Solicitation Fee described above as agreed to by TD Ameritrade and your Advisor.

If at any time after hiring your Advisor, you transfer your assets held in custody at TD Ameritrade to another financial institution your Advisor may be obligated to pay TD Ameritrade a one-time fee based on all your assets under management with the Advisor ("One-Time Fee"). In addition to the One-Time Fee, the Advisor is also obligated to pay TD Ameritrade the Solicitation Fee described above for a period of five (5) years after you transfer your assets to another financial institution ("Ongoing Solicitation Fee"). Similarly, if any of your family members that are advised by the Advisor transfer their assets held in custody at TD Ameritrade to another financial institution, the Advisor is obligated to pay TD Ameritrade a one-time fee based on all family member assets under management with the Advisor ("One-Time Fee"). In addition to the One-Time Fee, the Advisor is also obligated to pay TD Ameritrade the Solicitation Fee described above for a period of five (5) years on all family assets after they are transferred to another financial institution ("Ongoing Solicitation Fee").

However, if without the suggestion or encouragement of the Advisor, you or a family member independently request to move assets from TD Ameritrade to another financial institution, your Advisor will not be required to pay the One-Time Fee on the value of the moved account's assets, although the Advisor may be required to continue to pay the Ongoing Solicitation Fees as described above. To qualify for the exemption from the One-Time Fee, your Advisor must be able to reasonably establish that you or your family member independently requested that such assets be moved to another financial institution.

As a result of the above, your Advisor may have an incentive to encourage you to hold your assets under management in custody at TD Ameritrade rather than another financial institution, which is likely to result in TD Ameritrade receiving compensation for securities transactions effected for your account. TD Ameritrade's fees for effecting securities transactions in your account are in addition to the fees paid by your Advisor to TD Ameritrade for participation in AdvisorDirect.

Advisors have agreed to pay TD Ameritrade a minimum of \$10,000 per calendar year for participation in the program ("Minimum Participation Fee") or the aggregate of all Solicitation Fees the Advisor receives from its AdvisorDirect clients during the calendar year, whichever is greater. If the referral agreement entered into between your Advisor and TD Ameritrade is terminated, the Minimum Participation Fee will no longer apply. However, all other fees assessed to your Advisor described above will continue to apply to your assets and your family members' assets that continue to receive investment advisory services from your Advisor.

TD Ameritrade is entitled to its referral fees whether or not you pay your advisory fees to your Advisor. In certain instances, TD Ameritrade may waive or reduce fees including, but not limited to, the Minimum Participation Fee paid by your Advisor. TD Ameritrade may waive or reduce these fees based on, among other things, the amount of the Advisor's clients' assets held in custody with TD Ameritrade and the securities trading activity of the Advisor's clients that are not referred to the Advisor through AdvisorDirect. Consequently, in order to obtain fee waivers or reductions from TD Ameritrade, the Advisor may have an incentive to recommend to you that the assets under management by the Advisor be held in custody with TD Ameritrade and to place transactions for your accounts with TD Ameritrade. You may request additional information from your Advisor regarding your Advisor's fee arrangement with TD Ameritrade.

### **Fees Paid to TD Ameritrade for Servicing Your Account With Your Advisor**

It is highly likely that your Advisor will use TD Ameritrade to effect your securities transactions, which will generate brokerage commissions and other revenues, as applicable, for TD Ameritrade and its affiliates in connection with your trading activity. However, you or your Advisor may use any brokerage firm of your choice. TD Ameritrade may charge you a fee for clearance and settlement of any trade held in custody by TD Ameritrade that is executed through a brokerage firm other than TD Ameritrade. This fee is separate and in addition to any fee charged by another brokerage firm for trades executed through such other brokerage firm.

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

Temporary cash or other balances in your account may be kept in your account as free credit balances or invested by your Advisor in a money market, tax-exempt, or other mutual fund managed by an affiliate or nonaffiliate of TD Ameritrade. Like most mutual funds, these funds pay advisory fees and other expenses in addition to the advisory fee you pay your Advisor. Temporary cash or other balances in your account may also be held in a deposit account at a bank affiliated with TD Ameritrade.

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

TD Ameritrade 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. TD Ameritrade is compensated as described in the "Fees and Compensation" section above, and such compensation is 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**

AdvisorDirect is available to individuals, institutions, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other entities.

### **Amount of Investable Assets**

TD Ameritrade will generally not allow you to participate in AdvisorDirect unless you have a minimum amount of investable assets. Currently, that amount is \$750,000. However, TD Ameritrade reserves the right, in its sole discretion, to change that minimum amount from time to time as it deems appropriate.

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

AdvisorDirect is a referral service of TD Ameritrade that provides information about selected independent investment advisors that are clients of TD Ameritrade. TD Ameritrade will assist you



in selecting an investment advisory firm that may meet your investment needs by providing you with information for your analysis and evaluation. It is your sole decision to select an Advisor referred to you, grant an Advisor discretionary authority over your assets, or obtain financial planning services from an Advisor, and you bear any risk of loss. There are risks associated with investing including the possible loss of principal. You should ask your Advisor about investment risks. The attendance of a TD Ameritrade representative at any meeting with an Advisor does not alter in any way your sole responsibility for selecting and monitoring your Advisor. Although TD Ameritrade may be acting as an investment advisor in referring your Advisor to you and/or encouraging you to deposit additional assets with your Advisor, TD Ameritrade will not provide investment advice to you in connection with your assets under management with an Advisor.

## Disciplinary Information

The SEC and other regulatory agencies and organizations have, in the past, taken certain disciplinary actions against TD Ameritrade (formerly, TD Waterhouse Investor Services, Inc. and herein "TD Waterhouse") for alleged violations of the federal securities laws and regulations and rules.

While none of the matters discussed below directly involved or concerned AdvisorDirect, TD Ameritrade makes these disclosures to you as you may consider them material to your evaluation of the AdvisorDirect service and/or TD Ameritrade generally. The matters have been settled, and TD Waterhouse has paid fines with respect to such violations.

On November 3, 2014 TD Ameritrade received a final Order from the Securities and Exchange Commission Instituting a Cease and Desist with respect to the sale of noninvestment grade Puerto Rico bonds in amounts below the minimum denomination of the issue. Municipal Securities Rulemaking Board Rule G-15(f) prohibits dealers from effecting customer transactions in municipal securities in amounts below the minimum denomination of the issues. In connection with the Order TD Ameritrade executed an Offer of Settlement and agreed to pay a penalty of \$100,800.

On July 27, 2015, TD Ameritrade received a final order from the State of Texas Securities Board regarding Institutional Division brokerage accounts managed by independent investment advisors. Staff of the Board sampled third-party wire requests in such accounts between August, 2012 and September, 2014 and found in some instances TD Ameritrade failed to follow its procedures requiring cash/securities disbursement notices to be sent to account holders. TD Ameritrade's process is to provide for the issuance of a notice at the time of a disbursement. TD Ameritrade was found to have violated the rules and regulations of the Board and agreed to a settlement to bring this matter to a close by paying an administrative fine of \$300,000 to the Board and contributing \$100,000 to the Texas Investor Education Fund. In 2014, TD Ameritrade had already launched an automated process to issue the notices. No further corrective action was needed.

## Other Financial Industry Activities and Affiliations

### INFORMATION ABOUT TD Ameritrade

#### TD Ameritrade and its Affiliates

TD Ameritrade Institutional provides custody, brokerage, and other financial services to independent financial advisors and their clients. TD Ameritrade Institutional is a division of TD Ameritrade (member FINRA/SIPC). TD Ameritrade is a registered broker-dealer that principally provides discount brokerage services. Most

of TD Ameritrade's business is derived from brokerage and related services. TD Ameritrade client accounts are carried on a fully disclosed basis by its affiliates, or TD Ameritrade Clearing, Inc., and clients are charged discount brokerage commissions, as applicable.

TD Ameritrade Investment Management, LLC ("TDAIM"), a registered investment advisor affiliated with TD Ameritrade, may be retained by your advisor for its subadvisory services.

TD Ameritrade offers the TD Ameritrade FDIC Insured Deposit Account ("IDA") as the cash sweep vehicle provided by one or more banks ("Program Banks").

TD Ameritrade Trust Company is a wholly owned subsidiary of TD Ameritrade Holding Corporation offering asset custody, trust, and full-service back-office support to a wide range of plan types. TD Ameritrade Trust provides services through institutional third-party administrators, record-keepers, and investment advisors.

TD Ameritrade and TD Ameritrade Clearing, Inc. are wholly owned subsidiaries of TD Ameritrade Holding Corporation.

TD Ameritrade Holding Corporation is wholly owned by The Charles Schwab Corporation ("Schwab") and the Corporation's subsidiaries accordingly are affiliated with Schwab and its subsidiaries.

For additional information on TD Ameritrade, please visit TD Ameritrade's website at [tdameritrade.com](http://tdameritrade.com).

TD Ameritrade Futures & Forex LLC is an NFA-registered Futures Clearing Merchant and wholly owned subsidiary of TD Ameritrade Holding Corporation, and an affiliate of TD Ameritrade. TD Ameritrade Futures & Forex LLC offers futures and forex trading services through the thinkorswim trading platform. Platform tools and resources available include technical studies, interactive education, and specialist support.

TD Ameritrade Hong Kong Ltd. is registered with the Hong Kong Securities and Futures Commission ("SFC"), and provides retail investors in Hong Kong access to U.S. markets. TD Ameritrade Hong Kong Ltd. does not provide tax, legal, or investment advice or recommendations. Products and services offered in Hong Kong are provided by TD Ameritrade Hong Kong Ltd. TD Ameritrade is the trading name of TD Ameritrade Hong Kong Ltd. in Hong Kong.

TD Ameritrade Singapore Pte. Ltd. is licensed by the Monetary Authority of Singapore ("MAS"), and provides retail investors in Singapore access to U.S. markets. TD Ameritrade Singapore Pte. Ltd. does not provide tax, legal, or investment advice or recommendations. Products and services offered in Singapore are provided by TD Ameritrade Singapore Pte. Ltd. TD Ameritrade is the trading name of TD Ameritrade Singapore Pte. Ltd. in Singapore.

If you or your Advisor places an order to buy or sell securities in one or more of your TD Ameritrade brokerage accounts, TD Ameritrade will route the order to TD Ameritrade Clearing, Inc. ("Clearing"), its affiliated clearing firm, for execution on a fully disclosed basis. Clearing, in the capacity of a broker-dealer, may act as agent or principal on the trade. When acting as principal, Clearing will buy or sell the securities for its own account, accept the risk of market price and liquidity fluctuations, and receive a dealer's profit or loss when executing an order. When executing orders in fixed-income securities as principal, Clearing receives a dealer markup or markdown on such transactions.

Clearing may also act as your or your Advisor's agent. In acting as agent, Clearing sends your order to an exchange, another market maker, or an electronic communications network (ECN) for execution. For both over-the-counter and listed stocks, options, and fixed-income transactions, Clearing may execute orders on an agency basis by crossing your order with TD Ameritrade's other client orders. TD Ameritrade does not make a trading profit on

such transactions, but may receive commissions, as applicable, from both sides of such transactions and, as such, TD Ameritrade and Clearing may have a potentially conflicting division of loyalties and responsibilities.

Clearing directs TD Ameritrade's orders to various venues, including exchanges, markets, and dealers for execution. Clearing may receive payments for directing TD Ameritrade's order flow to these venues. Clearing provides quarterly reports that present a general overview of its routing practices at [tdameritrade.com/disclosure.page](http://tdameritrade.com/disclosure.page). TD Ameritrade benefits from these arrangements indirectly through its affiliation with Clearing. If your Advisor places an order to buy or sell securities in connection with a TD Ameritrade brokerage account for you when the Advisor has retained the subadvisory services of TDAIM, the order will be routed to Clearing, an affiliated broker-dealer, for execution on an agency or principal basis.

Clearing is the transfer agent for certain money market mutual funds that may be used by TD Ameritrade as the cash sweep vehicle for uninvested funds in a client's account. As transfer agent, Clearing may be paid a fee by each fund as described in each fund's prospectus. This fee is paid in addition to any fees paid by the client directly to TD Ameritrade for services.

TD Ameritrade, together with its affiliated entities, and in its capacity as a securities broker-dealer, investment banker, and investment advisor, is routinely engaged in various securities transactions and trading activities for various clients and customers (in addition to the client) which could create conflicts of interest among its duties to other clients. As a broker-dealer and together with its affiliated entities, on an ongoing basis and as permitted by applicable law, TD Ameritrade may, where appropriate:

- a. act as principal, buy securities for itself from, or sell securities it owns to, a client;
- b. act as broker or agent, effect securities transactions for compensation for a client;
- c. act as broker or agent for any person other than a client, effect transactions in which client securities are sold to or bought from a brokerage client;
- d. recommend to clients that they buy or sell securities or investment products in which TD Ameritrade or a related person has some financial interest;
- e. buy or sell for itself securities that it also recommends to clients;
- f. receive payments from mutual funds, mutual fund advisors, and/or their underwriters in connection with investments by clients in those mutual funds;
- g. receive monetary and nonmonetary compensation when it sends orders to a particular exchange, market, or dealer, a practice commonly known as "payment for order flow;"
- h. receive compensation from, participate in the profits of, and have reciprocal routing arrangements with, certain affiliated and independent exchange specialists and dealers who execute orders; and
- i. receive rebates and credits against fees paid to various exchanges.

In connection with its participation as a member of syndicates underwriting public offerings of equity and fixed-income securities, TD Ameritrade may make unsolicited telephone calls to clients who have brokerage accounts with TD Ameritrade and to investment advisors whose clients maintain brokerage accounts with TD Ameritrade, including Advisors participating in AdvisorDirect, to advise of the availability of the securities through TD Ameritrade and inquire whether the clients and investment advisors, on behalf of the client accounts they manage, are interested in purchasing the securities in the public offering.

TD Ameritrade and its affiliates may give advice and take action in performing their duties to other clients that differ from advice given, or the timing and nature of action taken, with respect to the client's accounts.

In addition to money market funds, your account assets may from time to time be invested in shares of other, unaffiliated open-end investment companies (mutual funds). Since TD Ameritrade may act as selling agent and/or underwriter and/or render other services for various funds advised and/or sponsored by certain of its affiliates or nonaffiliates, including registered funds, hedge funds, venture capital or real estate investment funds, and other similar investment vehicles, TD Ameritrade or its affiliates may receive compensation for such services. For example, TD Ameritrade may receive payments from unaffiliated mutual funds, mutual fund advisors and/or their underwriters, including Rule 12b-1 and other asset-based charges in connection with investments by TD Ameritrade clients. Such payments may, where permitted under applicable regulatory requirements, be retained by TD Ameritrade. In addition, if and to the extent that your account assets are invested in mutual funds and/or sub-advised variable annuities, then you may indirectly pay duplicate advisory and other fees in connection with such investments because you could be charged advisory fees by the advisors to the funds in addition to the advisory fees you pay your Advisor. Furthermore, if your Advisor invests the assets in affiliated mutual funds that may be advised by your Advisor, you may pay duplicate advisory fees to your Advisor.

In the course of their respective investment banking activities or otherwise, TD Ameritrade and its affiliates may from time-to-time acquire material, nonpublic or other information about corporations or other entities or their securities. TD Ameritrade and its affiliates are not obligated, and may not be permitted, to divulge any such information to or for the benefit of its clients, or otherwise act on the basis of any such information in providing services to clients.

TD Ameritrade makes no representation regarding the Advisor's provision of any other advice or services other than investment management or financial planning. If you engage your Advisor to perform such services, that is strictly a matter between you and your Advisor, and TD Ameritrade has no involvement in, no connection to, nor any liability for that aspect of your advisory relationship. If an Advisor refers you to a third party for any services, that relationship is also strictly between you and the Advisor and is beyond the scope of AdvisorDirect.

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

## CODE OF ETHICS

TD Ameritrade has adopted a Code of Ethics ("Code of Conduct") that sets forth the standards of conduct expected of TD Ameritrade personnel. The Code of Conduct reflects TD Ameritrade's belief in the absolute necessity to conduct all business, make all decisions, and carry on all personal activities at the highest ethical and professional levels. TD Ameritrade requires personnel to make their personal brokerage account statement information available to the Compliance Department, and requires the Compliance Department to preapprove certain investments. TD Ameritrade is required to keep copies of the Code of Conduct and records relating to the Code of Conduct. TD Ameritrade personnel are required to submit an annual acknowledgement and certification stating that such personnel have complied with the Code of Conduct.

All associates, officers, and directors of TD Ameritrade are required to comply with the Code of Conduct. TD Ameritrade personnel are required to report violation(s) or potential violation(s) of the TD Ameritrade Code of Conduct of which they become aware. The standards set forth in the Code of Conduct are intended to protect the associates and clients of TD Ameritrade, the shareholders of TD Ameritrade, and the organization as a whole. The Code of Conduct also contains policies involving the safeguarding of proprietary and nonpublic information and the use of nonpublic information regarding a client.

TD Ameritrade will provide a copy of the Code of Conduct to any client or prospective client upon request via email at [AdvisorDirect@tdameritrade.com](mailto:AdvisorDirect@tdameritrade.com) or by calling us at the telephone number on the cover of this brochure.

In addition, TD Ameritrade may recommend to its clients and Advisors on behalf of their clients that they buy or sell securities or investment products in which TD Ameritrade or a related person has some financial interest. For example, when an affiliate acts as a placement agent for particular securities.

Your Advisor may also participate in the TD Ameritrade Separate Account Exchange ("SAE"). Through SAE, TD Ameritrade offers financial advisors ("Financial Advisors") the ability to introduce their clients to institutional-level, separate account money managers. The asset managers ("Asset Managers") participating in SAE perform security selection and order placement and receive management fees per an agreed-upon schedule. TD Ameritrade serves as broker-dealer providing custody and securities execution services. TD Ameritrade is compensated for its services by charging a monthly custodial fee to client accounts participating in SAE. The custodial fee is in addition to the fees charged by the Asset Manager and the Financial Advisor. TD Ameritrade provides trade confirmations and monthly statements to client accounts participating in SAE.

TD Ameritrade has adopted and enforces internal policies and procedures with respect to conflicts of interest between TD Ameritrade and its clients in purchasing and selling securities for its own account and for client accounts. Pursuant to these policies and procedures, TD Ameritrade, when engaging in the activities enumerated above, treats client orders fairly and does not give its own orders preference over client orders. Where required by applicable law or exchange rules, TD Ameritrade obtains the consent of affected clients in advance of any transactions in which TD Ameritrade will be engaging in the enumerated activities. When TD Ameritrade engages in the enumerated activities, all statements and/or confirmations of such transactions contain the disclosures required by applicable law and exchange rules.

# Brokerage Practices

## Fees Paid to TD Ameritrade for Servicing Your Account With Your Advisor

It is highly likely that your Advisor will use TD Ameritrade to effect your securities transactions, which will generate brokerage commissions and other revenues, as applicable, for TD Ameritrade and its affiliates in connection with your trading activity. If you direct your Advisor to use any brokerage firm of your choice, TD Ameritrade may charge you a fee for clearance and settlement of any trade held in custody by TD Ameritrade that is executed through a brokerage firm other than TD Ameritrade. **See response above at "Fees and Compensation."**

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

Temporary cash or other balances in your account may be kept in your account as free credit balances or invested by your Advisor in a money market, tax-exempt or other mutual fund managed by an affiliate or nonaffiliate of TD Ameritrade. Like most mutual funds, these funds pay advisory fees and other expenses in addition to the advisory fee you pay your Advisor. Temporary cash or other balances in your account may also be held in a deposit account at a bank affiliated with TD Ameritrade.

Described below are a wide range of potential conflicts of interest associated with TD Ameritrade's various products, services, and programs. The conflicts of interest described below may or may not apply to you depending on the products and services you and your Advisor receive from TD Ameritrade and the TD Ameritrade programs in which you and your Advisor participate.

Your Advisor may suggest broker-dealers to you, including TD Ameritrade, for brokerage, custody, and other services for which you would compensate a broker-dealer. If you open a brokerage account with TD Ameritrade, you will be asked to indemnify and hold TD Ameritrade and TD Ameritrade's officers, directors, agents, employees, and affiliates harmless from all losses, costs, indebtedness, and liabilities arising from actions directed by you or your Advisor.

If you use TD Ameritrade as a broker, you may be subject to all or some of the following fees and/or charges, as applicable: (i) commissions, markups, markdowns, spreads, and other transactional charges on securities transactions effected through TD Ameritrade or with brokers and dealers other than TD Ameritrade; (ii) interest on debit account balances, where applicable; (iii) the entire public offering price (including underwriting commissions or discounts) on securities purchased from an underwriter or dealer (including TD Ameritrade) involved in a distribution of securities; (iv) markups, markdowns, and bid-ask spreads; (v) odd-lot differentials; (vi) exchange fees, transfer taxes, and other fees required by law; (vii) Individual Retirement Account fees, qualified retirement plan account fees, and other account maintenance fees; and (viii) other fees that may be assessed by TD Ameritrade in its capacity as broker and custodian upon notice to you. TD Ameritrade may also receive trailing commissions from mutual funds for purchases of mutual fund shares by you.

Your Advisor may recommend TD Ameritrade to you for custody and brokerage services. An Advisor may receive several benefits through TD Ameritrade that may or may not directly benefit you, including but not limited to: (i) duplicate client confirmations; (ii)



research-related products and tools; (iii) consulting services; (iv) access to a trading desk serving advisor participants; (v) access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); (vi) the ability to have advisory fees deducted directly from client accounts; (vii) access to an electronic communications network for client order entry and account information; (viii) access to mutual funds with no transaction fees and to certain institutional money managers; and (ix) discounts on compliance, marketing, research, technology, and practice management products or services provided by third parties. In addition, TD Ameritrade may pay or reimburse certain expenses (including travel, lodging, meals, and entertainment expenses) for Advisor's personnel to attend conferences or meetings relating to TD Ameritrade's advisory, custody, and brokerage services generally. These benefits received by your Advisor do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to you, your Advisor is expected to endeavor at all times to put your interests first. You should be aware, however, that the receipt of economic benefits by your Advisor in and of itself creates a potential conflict of interest.

You may pay brokerage commissions, as applicable, for trades placed by your Advisor for your account in excess of that which another broker-dealer may charge for effecting the same transaction. The higher amount may be in recognition of the value of brokerage and research services provided to the Advisor by or through the broker-dealer ("soft dollars"). The Advisor may use the products and services received from broker-dealers to service all of its client accounts. Thus, not all such services may be used to benefit your account even though you paid the applicable brokerage commissions that resulted in the receipt of such brokerage and research services. Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisors who use applicable commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the Advisor in performing investment decision-making responsibilities. Nonetheless, the use of brokerage commissions, as applicable, to obtain research and brokerage-related products and services creates a conflict of interest between an investment advisor and his/her clients. That is because the clients pay for products or services that are not exclusively for their benefit and may be primarily or exclusively for the benefit of the investment advisor. TD Ameritrade may provide soft-dollar research and brokerage services to Advisors that participate in AdvisorDirect.

TD Ameritrade generally does not compensate Advisors whose clients maintain accounts at TD Ameritrade. From time to time, however, TD Ameritrade Institutional, a division of TD Ameritrade, may wish to provide compensation based on taxable assets to certain Advisors to induce them to transfer, or recommend and facilitate the transfer of, a specified minimum amount of client assets to accounts at TD Ameritrade. Any such compensation will be outside the scope of any soft-dollar arrangement that TD Ameritrade may have with the Advisor. The compensation provided to an Advisor in this regard may include reimbursement or waiver of fees or expenses related to the Advisor's business as an Advisor, or the provision of services or other things of value for use in connection with the Advisor's business. If your Advisor receives such compensation from TD Ameritrade Institutional, it will have a conflict of interest in recommending that you custody your assets at TD Ameritrade.

TD Ameritrade may make research generated by certain of its affiliates available to clients who have brokerage accounts at TD Ameritrade, including brokerage clients to whom TD Ameritrade has previously rendered or may in the future render investment advisory services, and to investment advisors whose clients maintain brokerage accounts with TD Ameritrade, including, but not limited to, Advisors participating in AdvisorDirect.

## Review of Accounts

TD Ameritrade is registered with the SEC as a broker-dealer under the Securities Exchange Act of 1934, and as an Investment Advisor under the Investment Advisers Act of 1940. Through AdvisorDirect TD Ameritrade is acting as an investment advisor when referring you to an independent Advisor. However, once you have selected an Advisor, it is your responsibility to monitor your Advisor's performance. TD Ameritrade is not responsible for selecting your investments, for the performance of your investments, or for monitoring the performance of your investments and TD Ameritrade does not do so. TD Ameritrade has no discretionary authority or control with respect to your assets under management with your Advisor, and will only effect securities transactions for your account that have been instructed by you or your Advisor.

In order to assist you in your carrying out your account monitoring responsibilities, TD Ameritrade will provide you with periodic statements. Your investments' performance can be monitored in a variety of ways, including promptly reviewing your account statements and trade confirmations, keeping apprised of your investment portfolio, and meeting periodically with your Advisor to discuss your investments, the performance of your investments, and/or financial planning objectives.

It is imperative that you promptly review and understand your account statements and trade confirmations and communicate any concerns you have with your Advisor. Your account statements and trade confirmations will assist you in determining whether your investments are meeting your investment expectations and goals and if the investments are performing as you were led to believe by your Advisor. If your goals have changed, you must make certain that your investments are still suitable. Your Advisor must always have a clear understanding of your current goals and attitudes toward risk, which your Advisor will only know if you communicate this information. **See response above at "Advisory Business," "Monitoring Performance."**

TD Ameritrade will provide you with a periodic statement, no less than quarterly, containing a description of all activity in your account during the preceding period, including all transactions made on behalf of your account, all contributions and withdrawals made by you, all fees and expenses charged to your account, and the value of your account at the beginning and end of the period. The number and frequency of communications between you and your Advisor will depend upon the terms and conditions of the investment advisory agreement between you and your Advisor. It is your responsibility to promptly review all your account statements and trade confirmations and to communicate directly with your Advisor if you have any concerns about the management of your account, or if you believe that there is a discrepancy with the statement provided by your Advisor.

## Client Referrals and Other Compensation

**Fees Paid to TD Ameritrade for Your Referral**  
**Please also see "Fees and Compensation" section above.**

TD Ameritrade offers incentive compensation plans for financial consultants that are designed to reward and motivate those that support our client experience. Our approach is to balance performance goals with a commitment to providing appropriate solutions for our clients' specific needs. We believe incentive goals should never override our mission to do the right thing for our clients. Here are some details regarding how we compensate the financial consultants you may encounter in our branch network.



**Base Pay** – Base pay is generally about half of the total FC compensation, but the actual percentage of total compensation attributable to base salary can vary based on a particular FC's incentive compensation.

**Incentives** – Incentive payments to FCs are tied to performance metrics (including attracting new assets to TD Ameritrade and retaining existing assets). A portion of the asset-based compensation is related to referrals to unaffiliated advisers in the AdvisorDirect Program. This portion of the compensation is paid to the FC by TD Ameritrade for acting as a TD Ameritrade IAR. FCs are also compensated based on new client assets and the retention of existing client assets that may include assets in other products offered by TD Ameritrade or its affiliates. This compensation structure can create a conflict in that the compensation could potentially provide FCs an incentive to make recommendations for asset retention with a view to their compensation interest rather than the best interest of clients. Those incentives could lead them to refer you to AdvisorDirect or deposit additional assets into your TD Ameritrade Investing Account instead of choosing other investment options for your assets. To mitigate the potential conflicts of interest described above, TD Ameritrade policies and procedures and supervision are in place to help the focus be on the most appropriate solution for a client. For more information on compensation, see <https://www.tdameritrade.com/incentive-compensation.page>. In addition, and in connection with the recent affiliation with Charles Schwab & Co. Inc. ("CS & Co."), beginning in 2021 TD Ameritrade FCs will be eligible to receive modest additional compensation for introducing clients to CS & Co. or to certain of its products and services. Further, beginning on January 1, 2021 TD Ameritrade Branch Managers will go on Schwab's Corporate Bonus Program.

**Sales and Referral Performance Incentives** – Financial consultants are incentivized for attracting new clients and assets to TD Ameritrade, as well as for retaining existing clients and assets at TD Ameritrade. Financial consultants' performance assessments will take into account net new flows of assets, retention of existing client assets, and referrals to another licensed associate, when appropriate, for fixed income solutions, annuity products, and discussion/demonstration of the thinkorswim® platform or certain educational materials on our website, when determining an appropriate discretionary compensation payout. Incentive compensation is determined based on a review of a financial consultant's current performance results relative to their historical performance results and the performance expectations of their particular role. Financial consultants may receive higher discretionary compensation for maintaining client assets invested in suitable guidance solutions, including Selective Portfolios, Personalized Portfolios and referrals to AdvisorDirect, than for retention and maintenance of assets invested in other products. FC's receipt of compensation for maintaining or retaining assets may create a conflict in that the compensation could potentially provide FCs an incentive to make recommendations for asset retention with a view to their compensation rather than the best interest of clients.

To mitigate the potential conflicts of interest described above, TD Ameritrade policies, procedures, and supervision are in place to help the focus be on the most appropriate solution for a client. For more information on compensation, see [tdameritrade.com/incentive-compensation.page](https://www.tdameritrade.com/incentive-compensation.page).

TD Ameritrade financial consultants who are IARs of TD Ameritrade have the ability to refer clients to TD Ameritrade Investment Management ("TDAIM") and receive compensation in connection with such referrals. All financial consultants are trained to direct clients to the most appropriate financial solution based on the client's financial situation, suitability, and preferences. TD Ameritrade policies and procedures and supervision are in place to help the financial consultant refer clients to the most

appropriate solution for their financial needs. Furthermore, TD Ameritrade client-service personnel who are appropriately registered may receive modest additional compensation for making service transfers to TD Ameritrade financial consultants that result in new assets to TD Ameritrade. These payments are paid to the client-service personnel from TD Ameritrade.

## MEALS & ENTERTAINMENT

We and our financial consultant receive other indirect compensation from Program advisors. Meals, entertainment, and other forms of incidental compensation are received from time to time by us and our financial consultant. Such indirect compensation based on amount and/or frequency may present a material conflict of interest in that we or our financial consultant have the incentive to potentially recommend a Program advisor based on the advisor's payment of such compensation rather than recommending a Program advisor that is solely in the client's best interest. We control this risk through financial consultant training, supervision, surveillance, and enforcement designed to ensure that recommendations are based on the client's best interest and not based on entertainment or other incidental compensation to us or financial consultant from Program advisors.

## Custody

TD Ameritrade is a broker-dealer registered with the SEC and holds client assets in individual client accounts. TD Ameritrade is a qualified custodian as defined by the Investment Advisers Act of 1940, as amended from time to time. TD Ameritrade has entered into a written agreement with an accounting firm that is an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board. This accounting firm was engaged to perform an annual surprise examination, prepare an internal control report, and to complete the appropriate regulatory filings with the Securities and Exchange Commission.

You may authorize TD Ameritrade to deduct your Advisor's investment advisory fees and expenses from your assets held in custody at TD Ameritrade and remit them directly to your Advisor.

TD Ameritrade in its capacity as a broker-dealer will promptly provide all clients with its name, address, and the manner in which the funds or securities are maintained, when the account is opened and following any changes to the account, and it will send account statements directly to the client at least quarterly.

## Investment Discretion

### ADVISORDIRECT

TD Ameritrade is registered with the SEC as a broker-dealer under the Securities Exchange Act of 1934, and as an Investment Advisor under the Investment Advisers Act of 1940. TD Ameritrade may be acting as an investment advisor when referring Advisors to you. However, once you have selected an Advisor, it is your responsibility to monitor your Advisor's performance. TD Ameritrade is not responsible for selecting your investments, for the performance of your investments, or for monitoring the performance of your investments. TD Ameritrade has no discretionary authority or control with respect to your assets under management with your Advisor, and will only effect securities transactions for your account that have been instructed by you or your Advisor. Your Advisor directs all trades; however, you will receive account statements and trade confirmations from TD Ameritrade.

**Authorizations You May Grant Your Advisor**  
*Please see the "Relationship with Your Advisor" section above.*

# Voting Client Securities

## PROXY VOTING

While TD Ameritrade is an investment advisor registered with the Securities and Exchange Commission, it has no investment discretion over securities in client accounts. Because TD Ameritrade lacks such investment discretion, it does not have authority over, and specifically disclaims responsibility for, voting proxies for securities in client accounts. Since TD Ameritrade does not have proxy voting authority over securities in client accounts, TD Ameritrade is not required to have, and does not have, policies and procedures in place to govern the voting of proxies.

## Financial Information

TD Ameritrade is an introducing broker/dealer that clears through its affiliate, TD Ameritrade Clearing, Inc., a qualified custodian, as defined in Advisers Act Rule 206(4)-2.

Mailing Address:

**TD Ameritrade Institutional**

7801 Mesquite Bend Drive Suite 112  
Irving, TX 75063-6043

TDAI 5800 REV. 12/20

Investment Products: Not FDIC Insured * No Bank Guarantee * May Lose Value
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