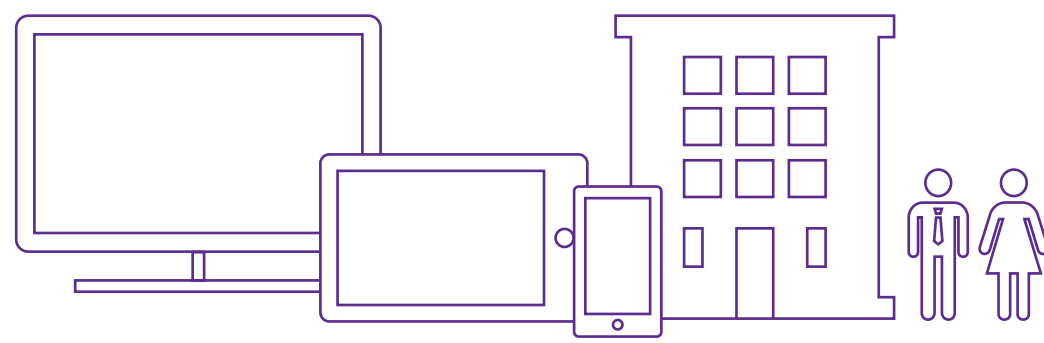


Life Cycle of an Order

Scottrade monitors the execution quality of its market centers to help ensure that we're providing best execution for our client orders. Our regular and rigorous review includes a daily, trade-by-trade exception analysis, a thorough assessment of key execution quality metrics and use of a patented algorithm, the Scottrade Best-Execution Index or SBI. This regular and rigorous review is performed using statistics generated through VistaOne Regulatory Services, an independent, third-party Best Execution data provider.

1 Enter Your Order



Place an order through the Scottrade® client website, mobile, over the phone or in one of Scottrade's nationwide branch offices.

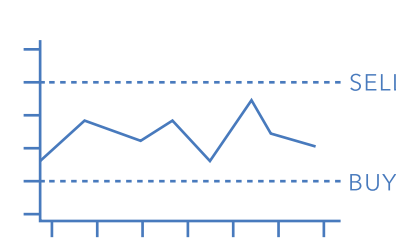
2 Order Router



Our order router dynamically evaluates market conditions and directs order flow into the marketplace. Scottrade uses this technology to route client orders quickly and efficiently, providing our clients with a consistent, quality execution experience.



Market Order: An order to buy or sell a security at the best available price at the time the order is presented in the market.



Limit Order: An order to execute a transaction at a specified price (the limit) or better.

<http://www.scottrade.com/online-brokerage/trade-quality-execution.html>

3 Marketable Order



There are two types of marketable orders:

- + **market order** which is an order to buy or sell a security at the best available price at the time the order is presented in the market
- + **marketable limit order** which is a transaction executed at a specified price (the limit) or better

Example: Quoted NBBO for XYZ: NBB 10.00 x NBO 10.05
Buy XYZ at 10.05 = Marketable Limit Order

(Note: any buy order priced at 10.05 or higher is considered a marketable limit order)

Limit Price \geq NBO

marketable buy limit has a limit price equal to or greater than the National Best Offer (NBO)

Limit Price \leq NBB

marketable sell limit has a limit price equal to or less than the National Best Bid (NBB)

3 Non-Marketable Order



A **non-marketable limit order** is a passive order that is not priced for an immediate execution.

Limit Price $<$ NBO

non-marketable buy limit has a limit price less than the National Best Offer (NBO)

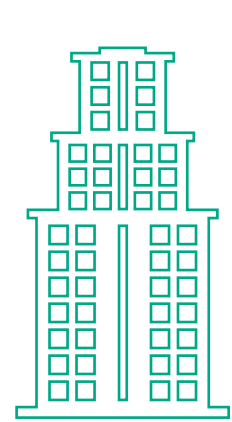
Limit Price $>$ NBB

non-marketable sell limit has a limit price greater than the National Best Bid (NBB)

Example: Quoted NBBO for XYZ: NBB 10.00 x NBO 10.05
Buy XYZ at 10.00 = Non-Marketable Limit Order

(Note: any buy order priced at 10.04 or lower is considered a non-marketable limit order)

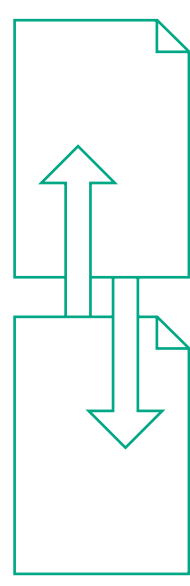
4 Where does the marketable order go?



4a. Market Makers

A market maker is a firm that stands ready to provide capital to facilitate transactions on a regular and continuous basis at publicly quoted prices. Marketable orders can receive executions priced at or better than the National Best Bid and Offer (NBBO). Non-marketable orders received by the market maker are displayed in the marketplace through ECNs or exchanges.

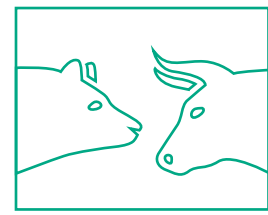
OR



4b. Alternative Trading Systems (ATS)

An alternative trading system is a venue that matches buy and sell orders based on publicly quoted prices. Such trading venues are often called dark pools of liquidity because they seek to minimize the market impact of a trade through anonymity. Additionally, alternative trading systems provide an opportunity for orders to receive executions priced better than the National Best Bid and Offer (NBBO). All trades executed on these venues are reported to the consolidated tape, just like trades executed on a stock exchange or ECN.

OR



4c. Stock Exchange

This is an exchange, either physical or electronic, that facilitates the buying and selling of securities among market participants.

4 Where does the non-marketable order go?



4a. Stock Exchange

This is an exchange, either physical or electronic, that facilitates the buying and selling of securities among market participants.

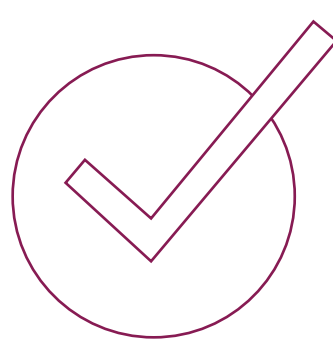
OR



4b. Electronic Communication Network (ECN)

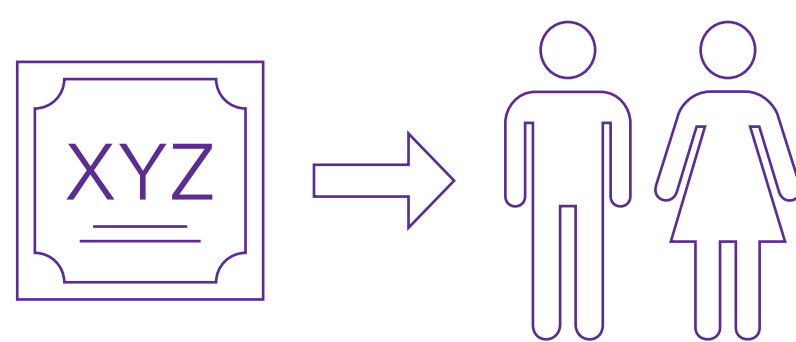
An ECN is an alternative trading system that collects, displays, and matches orders electronically.

5 Order Match



This is the point at which a transaction takes place and a confirmation is generated.

6 Account Settlement



After the settlement period (typically three trading day for equities), the shares are placed in your account.

For an individual investor, this is a great time to be in the market. They can independently decide to buy or sell a stock, place an order and have it filled in a fraction of a second.

– Matt Billings, Senior Vice President, Trading Services at Scottrade, Inc.