

WRAP Fee Program Brochure
(Part 2A of Form ADV-Appendix 1)

MANAGED INVESTMENT PORTFOLIOS PROGRAM

E*TRADE Capital Management, LLC

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*This brochure provides information about the qualifications and business practices of E*TRADE Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 866-484-3658. 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.*

*Additional information about E*TRADE Capital Management is available on the SEC's website at www.adviserinfo.sec.gov. The IARD/CRD number for E*TRADE Capital Management is 42159.*

*E*TRADE Capital Management is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.*

March 30, 2012

MATERIAL CHANGES

E*TRADE Capital Management, (“ETCM”) made its most recent update to Appendix 1 of ADV Part 2A, also referred to as the Wrap Fee Program Brochure, on January 1, 2012. ETCM’s business activities have not changed materially since the time of this update; however, ETCM changed the standard fee structure for new clients who enroll in the Managed Investment Portfolio Program on or after January 1, 2012. The new schedule is contained in the Services, Fees, and Compensation section of this brochure.

The Principal Owner of the firm changed in 2011 from E*TRADE Advisory Services, Inc. to ETCM Holdings, Inc. E*TRADE Financial Corporation, a publicly-owned company traded on the NASDAQ under symbol ETFC, owns 100% of ETCM Holdings, Inc.

ETCM will provide you with a new Wrap Fee Program Brochure as necessary based on changes or new information, at any time, without charge. To request the most recent Brochure, please call us at 866-484-3658.

TABLE OF CONTENTS

| | |
|--|-----------|
| MATERIAL CHANGES | 2 |
| SERVICES, FEES, AND COMPENSATION | 4 |
| Managed Investment Portfolios Overview | 4 |
| Fees | 6 |
| Compensation | 9 |
| ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS | 9 |
| Minimum Account Size | 9 |
| Types of Clients | 9 |
| Termination of MIP | 9 |
| PORTFOLIO MANAGER SELECTION AND EVALUATION | 10 |
| CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS | 10 |
| CLIENT CONTACT WITH PORTFOLIO MANAGERS | 10 |
| ADDITIONAL INFORMATION | 10 |
| <i>Disciplinary Information</i> | 10 |
| Other Financial Industry Activities and Affiliations | 10 |
| <i>Potential Conflicts of Interest</i> | 12 |
| <i>Code of Ethics</i> | 12 |
| <i>Participation or Interest in Client Transactions and Personal Trading</i> | 13 |
| <i>Review of Accounts</i> | 13 |
| <i>Client Referrals and Other Compensation</i> | 14 |
| Best Execution | 14 |
| Proxy Voting | 14 |
| <i>Financial Information</i> | 14 |
| REQUIREMENTS FOR STATE-REGISTERED ADVISERS | 15 |

SERVICES, FEES, AND COMPENSATION

Managed Investment Portfolios Overview

E*TRADE Capital Management (“ETCM”) offers Managed Investment Portfolios (“MIP”) which is a discretionary wrap fee investment advisory program whereby clients pay a single asset-based fee for brokerage, custodial, investment advisory, and other related services.

Prior to enrolling in MIP, ETCM investment advisor representatives (“IARs”) interview clients to determine financial needs and objectives. The IAR reviews the client’s financial situation, investment goals, liquidity needs, planned investment horizon, stated restrictions, and risk tolerance. ETCM analyzes the information and if MIP appears suitable, recommends a diversified investment portfolio. Prospective clients are provided with an investment proposal that outlines information about the recommended portfolio.

MIP accounts are subject to the terms of two contracts, the E*TRADE Securities Brokerage Customer Agreement and the ETCM Managed Investment Portfolios Discretionary Advisory Agreement.

Execution, clearing, custody and other brokerage related services are provided under an agreement between ETCM and its affiliates E*TRADE Securities (“ETS”) and E*TRADE Clearing (“ETC”). ETS and ETC are broker/dealers registered with the SEC and are member firms of the Financial Industry Regulatory Authority (“FINRA”). All accounts are subject to the terms of the E*TRADE Securities Brokerage Customer Agreement in addition to the Managed Investment Portfolios Discretionary Advisory Agreement (the “Agreement”) between the client and ETCM. ETCM, ETS, and ETC are wholly owned, indirect subsidiaries of E*TRADE Financial.

The MIP investment advisory program is subject to the general oversight of ETCM’s Investment Policy Committee (“IPC”). The IPC is responsible for the composition and asset allocation of the model MIP portfolios and the underlying investments (“Advisory Assets”).

ETCM has entered into an arrangement with Lockwood Advisors, Inc. (“Lockwood”). Under this arrangement, Lockwood provides impersonal advisory services to ETCM to assist it with the investment and allocation of MIP client assets in certain mutual funds or ETFs. Lockwood is an investment advisor registered with the U.S. Securities and Exchange Commission and is an affiliate of Pershing LLC. Lockwood and Pershing LLC are BNY Mellon companies and none of these companies are affiliated with ETCM.

ETCM has engaged Lockwood to apply its proprietary quantitative screening methodology (including historical performance and risk measures) to the universe of mutual funds and ETFs available to ETCM via the E*TRADE Securities platform and to provide research and advisory services to ETCM with regard to construction of the model portfolios offered through MIP. Screening is conducted on an impersonal and ongoing basis. ETCM may engage qualified affiliated or unaffiliated third parties to assist with research, analysis, implementation, rebalancing, billing and other services. In all cases ETCM retains ultimate responsibility for all aspects of the advisory services provided through MIP.

The IPC reviews and analyzes Lockwood's screening results in order to determine and update the list of Advisory Assets. The IPC has prepared an investment analysis

methodology, which incorporates various quantitative criteria including historical return, risk, expenses, manager tenure, performance and style consistency, asset size and growth. Lockwood does not provide investment advice to MIP accounts.

Features of the MIP Program

The MIP investment advisory program offers clients access to broad-based asset allocation strategies that seek attractive risk-adjusted returns over the long term, generally three years or longer. ETCM selects the initial portfolio investments and allocations, monitors the account, rebalances when the account is out of tolerance with the portfolio's Investment Policy Statement, and makes adjustments to portfolio holdings when necessary.

There are seven types of diversified portfolios offered to MIP customers based on the client's investment and risk profile. The seven portfolios are:

- Conservative Income
- Aggressive Income
- Inflation Protection
- Conservative Growth
- Moderate Growth
- Growth
- Aggressive Growth

Investments in MIP assets are limited to open-end mutual funds (no-load and load-waived A shares) or ETFs. Neither ETCM nor any of its affiliates acts as the investment adviser or principal underwriter for these investment vehicles. MIP accounts are neither leveraged nor engage in short selling. ETCM reserves the right to add or delete any security types (e.g. debt securities) and add to, delete from, or otherwise change the list of Advisory Assets at any time. Subsequent recommendations will incorporate such changes to the list of investments comprising Advisory Assets, but may or may not directly affect a particular client's portfolio, depending upon the portfolio type, recommendations previously made and restrictions imposed. If reasonable restrictions are requested by a client, alternative asset allocations and/or Advisory Assets may be made available. Margin accounts are not permitted in the MIP program.

Since ETCM has discretionary authority over its clients' assets, it has the authority to determine, without obtaining specific client consent, the securities (or amount of securities) to be bought or sold. ETCM prohibits clients from purchasing or selling securities in active MIP Accounts and has instituted a block on purchases and sales by the client. ETS provides clients an account statement at least quarterly as well as a prospectus or summary prospectus for each mutual fund or ETF recommended, and subsequently purchased for a client's MIP Account.

In response to changing economic and/or market conditions or the investment performance of various sectors of the markets, but not in response to market timing considerations, the IAR may, in the event a client requests, periodically recommend changes in the allocation among funds within designated asset classes that are part of MIP.

Investments in securities and other instruments involve risk and will not always be profitable. Neither ETCM nor any IAR guarantees the results of any advice or

recommendation, or that the objectives of the client's MIP Account will be met. Each IAR will only monitor and make recommendations regarding the MIP Account to which he/she is assigned. The advice provided to the client only pertains to the MIP Account. The advice does not cover other assets outside of the MIP Account.

Whether a MIP Account is suitable for the Client depends upon a number of factors, including the size of the MIP Account, the amount of trading expected in the MIP Account, the particular financial needs and circumstances and the fees charged.

It is important for clients to remember that market, interest rate and other investment related risks exist that may adversely affect securities held in the MIP Account and cause a loss in the account and past performance is no guarantee of future results.

Fees

MIP is a wrap fee product, whereby customers pay a single fee for investment advisory services and brokerage services. It may cost the client more or less than purchasing such services separately, generally depending upon commission rates, portfolio turnover and the cost of similar non-wrap discretionary investment advisory services. Clients should consider the amount of trading activity they anticipate and the other factors mentioned above when assessing the MIP's cost.

Clients are charged an annual asset-based fee ("Annual Gross Advisory Fee") which is adjusted by the Advisory Fee Credit indicated in the schedules below, and pay the Annual Net Advisory Fee indicated.

Please note that MIP advisory fees are calculated with a method utilizing the fee schedule provided below based on the account's daily weighted average market value for the period as calculated on or about the close of business each quarter. Fees are pro-rated for partial quarters. The MIP advisory fee is based on the entire account size and the amount of the MIP Account fee depends upon the long market value of all assets in the MIP Account.

Advisory fees may be waived, in whole or in part, at ETCM's sole discretion, including in connection with both promotional efforts and investment management services offered to employees, affiliates' employees and certain former employees.

Fee Schedule:

Advisory Fee Schedule for New Clients as of January 1, 2012:

| Account Market Value ¹ | Maximum Annual Gross Advisory Fee | Minimum Annual Advisory Fee Credit ² | Maximum Annual Net Advisory Fee ³ |
|---|-----------------------------------|---|--|
| \$0 through \$100,000 | 1.40% | 0.50% | 0.90% |
| Greater than \$100,000 up through \$250,000 | 1.30% | 0.50% | 0.80% |
| Greater than \$250,000 up through \$500,000 | 1.25% | 0.50% | 0.75% |
| Greater than \$500,000 through \$1,000,000 | 1.20% | 0.50% | 0.70% |
| Greater than \$1,000,000 | 1.15% | 0.50% | 0.65% |

1 Account Market Value is the daily weighted average market value of assets held in the Advisory Account during the quarter after the close of business on the last trading day of the quarter.

2 The Minimum Annual Advisory Fee Credit reflects the anticipated amount of annual compensation to be received by ETCM or its affiliates from funds held in the Advisory Account (or investment advisors of such fund products) for 12b-1, shareholder servicing, or other distribution, administration or bookkeeping fees. To the extent that the actual amount of such fees received by ETCM or its affiliates exceeds the minimum credit, any such excess will be credited back to the Advisory Account.

3 The Maximum Annual Net Advisory Fee is the highest direct fee charged to any client in the MIP Program at the account market value breakpoint. As the market value of the account reaches a higher breakpoint, as shown in the table above, the assets within that breakpoint category are charged a lower rate.

Advisory Fee Schedule for Accounts Opened Prior to January 1, 2012:

| Account Size ¹ | Maximum Annual Gross Advisory Fee | Minimum Annual Advisory Fee Credit ² | Maximum Annual Net Advisory Fee ³ |
|---------------------------|-----------------------------------|---|--|
| \$0 to \$100,000 | 1.25% | 0.50% | 0.75% |
| \$100,001 to \$250,000 | 1.15% | 0.50% | 0.65% |
| \$250,001 to \$500,000 | 1.10% | 0.50% | 0.60% |
| \$500,001 to \$1,000,000 | 1.05% | 0.50% | 0.55% |
| \$1,000,001 and over | 1.00% | 0.50% | 0.50% |

1 Account Size is the daily weighted average market value of all assets held in the Advisory Account during the quarter calculated after the close of business on the last trading day of the quarter.

2 The Minimum Annual Advisory Fee Credit reflects the anticipated amount of annual compensation to be received by ETCM or its affiliates from funds held in the Advisory Account (or investment advisors of such fund products) for 12b-1, shareholder servicing, or other distribution, administration or bookkeeping fees. To the extent that the actual amount of such fees received by ETCM or its affiliates exceeds the minimum credit, any such excess will be credited back to the Advisory Account.

3 The Maximum Annual Net Advisory Fee is the highest direct fee charged to any client in the MIP Program at the specified account size.

MIP advisory fees are negotiable and may depend on such considerations as the size of the client's MIP Account and other ETS accounts, the amount of time a client has had the MIP Account, the total amount of business the client conducts with ETS, including its affiliates, and other factors. Advisory fees are payable quarterly in arrears.

ETCM instructs ETS to deduct MIP advisory fees from MIP Accounts and pay ETCM, generally from a cash position maintained in clients' MIP Accounts. A debit (negative) balance that may occur in the client's MIP Account due to insufficient funds will be paid by having ETCM liquidate sufficient securities in the MIP Account to cover the debit (negative) balance. ETCM anticipates that a sufficient portion of the client's assets will generally be allocated to a cash position in order to avoid such liquidations.

The values used by ETS may be different from the prices achieved in actual transactions and, in some cases, represent dealer bids or offers that would only be achievable for orders of a particular size. ETS may also use third party vendors in valuing the MIP Account assets.

Assets held in the MIP Account are subject to the MIP Account fees. Assets in the MIP Account will not be subject to ordinary transaction fees (e.g., commissions or mark-up/mark-downs).

The MIP Account fees do not cover (and the client will be additionally responsible and charged for) brokerage commissions or other transaction charges for trades executed at firms other than ETS (although client's MIP Account will be blocked from any purchases and sales by client) and its affiliates, custody, transfer and stamp taxes, exchange and conversion fees (including with respect to mutual fund exchanges, ADR conversions and conversion of convertible bonds), clearinghouse fees, SEC fees, odd-lot differentials, electronic fund and wire transfer fees, account transfer fees, auction fees, debit balances, margin interest, fund redemption fees (including mutual fund redemption fees) and charges imposed by law. In addition, MIP Account fees do not cover ongoing fund management fees and expenses of any mutual fund or ETFs purchased in or transferred into a client's MIP Account.

Advisory Assets for clients includes fund products that pay affiliates of ETCM Rule 12b-1 and marketing fees, as disclosed in each fund's prospectus. Affiliates of ETCM may provide marketing, shareholder servicing, distribution, administration, bookkeeping or other services for these fund products and earn fees for such services. The amount of any compensation received by ETCM or its affiliates from fund products held in the advisory account for 12b-1, shareholder servicing or other distribution, administration or bookkeeping fees is credited back to the Advisory Account by applying a credit amount (the "Minimum Annual Advisory Fee Credit") against the Annual Gross Advisory Fee.

The Annual Gross Advisory Fee is an annual asset-based fee, as provided in the above Advisory Fee Schedules. The Minimum Annual Advisory Fee Credit is equal to 0.50% per annum of all assets in the Advisory Account. To the extent that the actual amount of any such fees exceeds this credit, any such excess will also be credited back to the Advisory Account to arrive at the actual "Advisory Fee Credit."

ETCM may keep up to half of the fees it receives for advisory and portfolio management services and distribute the remaining portion to ETS and ETC in payment of services rendered for brokerage and custodial services. A portion of ETCM's fee is used in turn to compensate third party research support services provided by Lockwood.

Compensation

ETCM's IARs may receive different types and levels of compensation for recommending MIP which may be more or less than the compensation provided to the IAR if a client or prospective client opens a brokerage or other type of account instead of MIP. As a result, an IAR may have a financial incentive to recommend one product or service over other products or services available to the client.

From time to time, IARs may participate in sales contests or be paid cash compensation related to products offered by ETCM. Any cash compensation paid by ETCM for client referrals or solicitations will only be made in accordance with applicable rules under the Investment Advisers Act of 1940 ("Advisers Act"). Any referral payment does not represent an incremental amount above and beyond the investment advisory fee paid by the client to ETCM. All payments are administered in accordance with the provisions of a written compensation plan that is administered and supervised by the Human Resources Department and/or other independent units of E*TRADE Financial.

In the event that ETCM refers a client to an affiliate, ETCM will disclose to the client at the time of the referral the nature of the affiliation between the referring party and the affiliate.

ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Minimum Account Size

The minimum account balance for MIP is \$25,000. If a client withdraws funds from his/her MIP Account in an amount that causes the total assets in the MIP Account to fall below \$25,000, the MIP Account may be terminated at ETCM's discretion. (See Termination of MIP below).

Types of Clients

The MIP program is generally available to individuals, trusts, charitable organizations, corporations, individual retirement accounts, self-employed retirement accounts, or business entities residing in the United States. The MIP program is not available to pension or profit-sharing plans subject to the Employee Retirement Income Security Act ("ERISA").

Termination of MIP

ETCM and ETS each reserve the right to terminate a client's MIP Account and related Agreement at any time by written notice to the client. If ETCM terminates the Agreement, the account will become an ETS commission-based brokerage account and the client will no longer receive ongoing monitoring and investment advice with respect to the account and will not be charged the MIP fee.

A client may terminate his/her/its MIP Account by written notice to ETCM, and will be responsible for any fees accrued up to the date of termination. Upon termination, the IAR will not act in an investment adviser capacity for the client but may act in a broker capacity as a registered representative of ETS. As a result, the client will no longer be charged an MIP Account fee, but the client will be charged transaction-based compensation (e.g., mark-ups/mark-downs and commissions) with respect to all transactions in the account. In addition, the IAR will not have any responsibility to monitor the account or to provide investment advice with respect to the account.

If a client received this Brochure less than 48 hours prior to entering into the Agreement, the client may terminate the Agreement without penalty by giving written notice within five business days of the date of the Agreement.

PORTFOLIO MANAGER SELECTION AND EVALUATION

There are no portfolio managers selected for clients for the MIP advisory program. ETCM, as investment adviser, selects open-end mutual funds or ETFs in accordance with the description of services provided previously in the brochure.

CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

As there are no portfolio managers, no client information is provided to portfolio managers.

CLIENT CONTACT WITH PORTFOLIO MANAGERS

Clients do not have a portfolio manager.

ADDITIONAL INFORMATION

Disciplinary Information

There are no legal or disciplinary events that are material to an evaluation by a client or prospective client of ETCM's business or management.

Other Financial Industry Activities and Affiliations

ETCM is a related person of ETS and ETC, registered broker-dealers (together "E*TRADE Brokers"). E*TRADE Brokers are also wholly owned, indirect subsidiaries of E*TRADE Financial.

The principal executive officers and other control persons of ETCM are employed by, and allocate a substantial portion of their time to, management of other E*TRADE Financial subsidiaries that provide various financial services.

ETCM's IARs are dually registered as investment adviser representatives of ETCM and as broker-dealer registered representatives of ETS. ETS offers certain products to assist clients in selecting investments based on information provided by clients, including asset allocation services and an All Star List of mutual funds and ETFs. When interacting with clients regarding their investment strategies, a dually-registered IAR will disclose to the client his/her role as a representative of ETS or as an ETCM IAR.

ETS manages regional call centers and branch offices for handling its clients' service needs. IARs of ETCM may be located in certain of these call centers or branch offices. ETS representatives may solicit clients for, or refer clients to, ETCM's IARs for investment advisory services.

IARs may participate in sales contests or be paid cash compensation related to products offered by ETCM. Any cash compensation paid by ETCM for client referrals or solicitations will only be made in accordance with Investment Advisers Act Rules. Any referral payment does not represent an incremental amount above and beyond the investment advisory fee paid by the client to ETCM. All payments are administered in accordance with the provisions of a written compensation plan that is administered and supervised by the Human Resources Department and/or other departments within E*TRADE Financial.

From time to time, E*TRADE Capital Management may refer clients to E*TRADE Brokers. In the event that ETCM refers a client to an affiliate, ETCM discloses to the client at the time of the referral the nature of the affiliation between the referring party and the affiliate.

E*TRADE Brokers may provide asset custodial services to E*TRADE clients and in fact do provide such services to participants in the Wrap Fee Programs. In such situations, the client enters into an investment advisory agreement with ETCM and will have a brokerage account with E*TRADE Brokers that provides for custodial services. The cost of such services are included in the fees charged by ETCM to clients.

E*TRADE Brokers receive compensation in connection with the purchase and holding of mutual fund shares by clients. Such compensation may include, but may not be limited to, Rule 12b-1 fees, shareholder service fees and sub-accounting fees which are paid out of fund assets. E*TRADE Brokers may also receive payments from affiliates of a mutual fund, such as the adviser or distributor, out of their own resources.

E*TRADE Clearing may also have negotiated business relationships with the affiliated distributor or investment adviser of some mutual funds. Under these business relationship arrangements, ETC receives revenue sharing payments from the mutual fund affiliates. The payments are for distribution, shareholder servicing, and market services (e.g. advertising on E*TRADE Financial's website, co-branding in sales materials, website disclosures) performed by E*TRADE Financial and for access to E*TRADE sales representatives and sponsored sales conferences and training programs. These payments are not made from fund assets and are in addition to the Rule 12b-1 fees and shareholder service fees disclosed in each fund's prospectus. The fee E*TRADE receives varies and can be a flat fee, a payment based on sales, or an asset-based fee calculated based on the dollar value of fund accounts held by E*TRADE customers.

No part of the revenue sharing fees received by E*TRADE is paid or directed to any of E*TRADE's sales representatives. However, to the extent revenue sharing arrangements may pay for conferences and other educational opportunities for these representatives, it could lead representatives to place more focus on the funds with whose service providers E*TRADE has revenue sharing arrangements. For information regarding a particular fund's

payment and compensation practices, please see the fund's prospectus and statement of additional information.

ETS has revenue sharing arrangements with affiliates of the JPMorgan money market funds in connection with ETS offering classes of the JPMorgan money market mutual funds as sweep investment options in ETS brokerage accounts. Under these arrangements, JPMorgan pays ETS for offering the JPMorgan money market funds on the ETS platform, for distribution and for sub-accounting and related administrative services performed by ETS for its clients who are invested in the JPMorgan money market mutual funds. These payments are in addition to any Rule 12b-1 fees, shareholder service fees and sub-accounting fees disclosed in each fund's prospectus.

ETCM offers two other Wrap Fee Programs, the Unified Managed Account program (UMA), and the Online Managed Investment Portfolio program (Online MIP). For further information regarding these wrap programs, please contact us at 866-484-3658.

Potential Conflicts of Interest

The principal executive officers and other control persons of ETCM allocate a substantial portion of their time to management of other E*TRADE Financial subsidiaries that also provide wealth management services. Such services are generally similar to services provided by ETCM.

ETCM and its affiliates may give advice and/or take actions in the performance of their duties that differs from or is inconsistent with the advice given for other client accounts or employee accounts. In addition, recommendations made by ETCM may differ from recommendations or advice provided by its affiliates.

ETCM and its affiliates and employees may trade in the securities markets for their own accounts and the accounts of their clients, and in doing so may take positions opposite to, or ahead of, those held by a client or may be competing with a client for positions in the marketplace. Such trading may result in competition for investment opportunities or create other conflicts of interest on behalf of one or more such persons in respect of their obligations to the client. ETCM maintains policies and procedures, including a Code of Ethics, that outlines employee's responsibilities with respect to trading practices.

Code of Ethics

ETCM has established, maintains and enforces a Code of Ethics in accordance with Rule 204A-1 under the Advisers Act. Among other things, the Code of Ethics includes the following provisions:

- (1) Standards of business conduct required of employees and other supervised persons, which standards reflect fiduciary obligations and those of supervised persons to advisory clients;
- (2) Terms requiring supervised persons to comply with applicable federal securities laws;
- (3) Terms and procedures relating to the review and approval of certain securities transactions and holdings by supervised persons with access to client information;

(4) Procedures for reporting violations of the Code of Ethics; and

(5) Procedures for the receipt and acknowledgement of the Code of Ethics by supervised persons.

A copy of the Code of Ethics is available to clients or prospective clients free of charge upon request.

Participation or Interest in Client Transactions and Personal Trading

ETCM, its affiliates, and investment adviser representatives may buy or sell securities that are also held by its clients. These personnel may not trade their own securities ahead of client trades. ETCM personnel are subject to compliance with the provisions of the ETCM *Compliance Manual*.

In the event that a conflict arises, ETCM's Chief Compliance Officer will review the facts and circumstances and may take appropriate steps including, but not limited to, administrative actions, trade sanctions and/or the reversal of related trades associated with persons subject to the ETCM's Code of Ethics.

Review of Accounts

The performance of the MIP Wrap Fee Programs is reviewed at least quarterly by the IPC. The IPC reviews the model portfolio holdings and determines if changes should be made.

MIP accounts are monitored each business day to determine if the accounts have deviated from the asset allocation parameters described in the client's investment proposal. If the allocation percentages are out of line with the investment proposal then the account is rebalanced. A weekly report is reviewed by operations team members to ensure that the system used to monitor and rebalance the accounts is functioning as designed.

On a quarterly basis ETCM requests that its clients notify them in the event their financial information or investment goals and objectives change. Additionally, on an annual basis, ETCM contacts clients to confirm the client's personal financial situation has not changed materially since the most recent asset allocation model was recommended. The client is reminded that alternative asset allocations and investment recommendations are available upon request.

Each quarter clients receive a written report, either by mail or electronically, called the Quarterly Performance Review ("QPR"). The QPR contains market commentary for the previous quarter, all the account positions, transactions that occurred during the review period, withdrawals or additions, performance information and important disclosures about the information provided to the client. Investment adviser representatives are available to discuss the QPRs with clients. Clients may contact the IAR assigned to the account at anytime to discuss the advisory program or transactions in their portfolios.

The IPC periodically analyzes and reviews the list of Advisory Assets and conducts periodic due diligence with respect to affiliated and unaffiliated service providers.

Client Referrals and Other Compensation

IARs while serving as ETS representatives with respect to transaction outside of the MIP account, may also receive sales commissions and other brokerage compensation in connection with investments by clients in securities ETS sells.

IARs may receive different types and levels of compensation for recommending MIP which may be more than the compensation provided to the IAR if a client or prospective client opens a brokerage or other type of account instead of MIP. As a result, an IAR may have a financial incentive to recommend one service or product over other products or services available to the client. IARs may receive additional compensation related to marketing campaigns sponsored by ETCM and/or its affiliates. This compensation does not represent any additional fee or expense to the client or to the client's ETCM account.

Best Execution

ETCM periodically reviews the results of trade executions made through the brokers that it uses in order to determine if there is a reasonable good faith process designed by the broker to achieve best execution for client portfolio trades. These reviews include (but are not limited to) an assessment of the brokers best execution review process and the review of information that reflects opportunities for price improvement that benefit its clients.

ETS may aggregate orders for the sale and purchase of ETF securities for MIP. For aggregated trades that are fully executed, each client will receive the number of shares originally intended for his or her account. In the event trades are only partially executed, clients will receive a pro-rated allocation. An aggregated order for the remaining shares will be entered the next trading day. For aggregated orders that are executed in more than one transaction, the client's portion of such order may be deemed at the weighted average of the prices at which all of such transactions were executed.

Proxy Voting

ETCM does not vote proxies for clients or advise clients about the voting of proxies, the exercise of corporate actions (including with respect to any tender offer), or the filing of any legal proceeding (including any bankruptcy or class action) relating to the securities held in MIP Accounts. If the client is a Retirement Account, ETCM, on its own behalf and on behalf of its affiliates, notes that (i) it has been expressly excluded from taking such actions on behalf of the Retirement Account in the Agreement, and (ii) it will have no responsibility or authority to vote proxies, exercise corporate actions or file or complete notices regarding legal proceedings.

Clients are expected to vote their own proxies and will receive their proxies directly from the custodian or transfer agent.

Financial Information

ETCM has no financial impairment that will preclude the firm from meeting its contractual commitments to clients. A balance sheet is not required to be provided because ETCM does not require the prepayment of fees.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.