

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

E*TRADE UNIFIED MANAGED ACCOUNTS 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, LLC's most recent update to Appendix 1 of ADV Part 2A, also referred to as the Wrap Fee Program Brochure, was made on January 1, 2012. ETCM's business activities have not changed materially since the time of the previous update.

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.

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SERVICES, FEES and COMPENSATION

Unified Managed Account Overview

E*TRADE Capital Management (“ETCM”) offers the Unified Managed Account (“UMA”) program, 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 UMA, ETCM investment advisor representatives (“IARs”) interview clients to determine financial need and objectives. The IAR collects information about the client’s financial situation, investment goals, liquidity needs, investment time horizon, investment restrictions, and risk tolerance. The IAR analyzes the information and if UMA appears suitable, recommends a diversified investment portfolio. Prospective clients are provided with an investment proposal that outlines information about the recommended portfolio.

ETCM has entered into an arrangement with Lockwood Advisors, Inc. (“Lockwood”) whereby ETCM and Lockwood agree to act as co-sponsors and co-advisors. ETCM and Lockwood provide advisory services related to the investment and allocation of client assets in certain securities. Each firm is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”).

Execution, clearing, custody and other brokerage related services are provided under an agreement between ETCM and its broker-dealer affiliates, E*TRADE Securities LLC (“ETS”) and E*TRADE Clearing LLC (“ETC”), each a securities broker/dealer registered with the SEC and a member firm 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 Unified Managed Account Advisory Agreement (the “Agreement”) amongst the client, E*TRADE and Lockwood.

Because UMA is a co-advised product, please review the relevant brochure provided by Lockwood which provides applicable information for Lockwood concerning the topics addressed in this brochure. The UMA investment advisory program is subject to the general oversight of ETCM’s Investment Policy Committee (“IPC”).

Features of the UMA program

The UMA Wrap Fee 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 and Lockwood select the initial portfolio investments and allocations, monitor the account, re-balance when the account is out of tolerance with the portfolio’s Investment Policy Statement, and make adjustments to portfolio holdings when necessary.

There are seven types of diversified portfolios offered to UMA 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, and
- Aggressive Growth

Investments in UMA accounts are limited to registered open-end investment companies (“mutual funds”), U.S. exchange traded funds (“ETFs”), and equity securities through Model Managers. Model Managers are third-party professional portfolio managers with whom Lockwood has a contractual relationship and are engaged to manage a certain portion of assets in a UMA portfolio. Model managers invest the UMA assets directly in equity securities which are held in your UMA Account. Neither ETCM nor any of its affiliates acts as the investment adviser or principal underwriter for these investment vehicles. UMA accounts are not leveraged and they do not engage in short selling. Margin accounts are not permitted in the UMA program.

ETCM and Lockwood each reserve 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.

Since ETCM and Lockwood have discretionary authority over client assets, they have 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 UMA Accounts and has instituted a block on purchases and sales by the client. ETS provides 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 UMA 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 UMA. Reasonable restrictions involving the securities selected for use in asset allocations are available upon client request.

UMA portfolios are monitored and rebalanced when the portfolio allocations are out of tolerance by a certain percentage, called the tracking error. Tracking error is a measure that shows the degree to which an account is not exactly aligned to the target or initial portfolio allocations. In addition to rebalancing when the tracking error is out of tolerance with the parameters stated in the Investment Proposal, the portfolios will be rebalanced on a semi-annual basis to an even lower tracking error threshold.

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

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

Whether a UMA Account is suitable for the Client depends upon a number of factors, including the size of the UMA Account, the amount of trading expected in the UMA 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 UMA Account and cause a loss in the account and past performance is no guarantee of future results.

Co-Advisor and Co-Sponsor Responsibilities

In the Co-Advisor and Co-Sponsor configuration, ETCM and Lockwood have different responsibilities and roles with respect to managing client portfolios.

ETCM's key responsibilities include:

- initial and ongoing evaluation of client investment objectives and risk tolerance,
- initial and ongoing determination of appropriate investment vehicles to be used and the asset allocations that meet client investment objectives and risk tolerances, and
- performance of ongoing consultations (at least quarterly) regarding changes in client investment objectives and reasonable investment restrictions.

Lockwood's key responsibilities include:

- the application of research, risk, quantitative analysis and other screening methodologies that are designed to evaluate and select a universe of mutual funds, exchange traded funds and nonaffiliated money manager models (comprised of individual equity securities) available for use in UMA portfolio construction
- the review of portfolio rebalancing that may be needed in order to maintain allocation with ranges of target allocations
- providing oversight in the construction of portfolio models that are designed to meet client objectives and risk tolerances
- serving as the overlay manager that evaluates the performance, investment process and the investment style consistency of nonaffiliated money managers that have been included in the Program
- managing the overall trading activity in portfolios and rebalancing

In addition, as co-sponsor ETCM is responsible for assisting clients in completing the client profile and defining the client's Investment Strategy. ETCM will also be responsible for interacting directly with clients.

As co-sponsor, Lockwood is also responsible for the systems and discretionary investment services required to implement a client's Investment Strategy. Although Lockwood and ETCM each have discretionary trading authorization, Lockwood typically places all trades in clients' UMA accounts.

Fees

UMA is a wrap 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 other factors when assessing the UMA's cost.

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

Please note, UMA 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 assessed at a blended rate and fees will be pro-rated for partial quarters. The amount of the UMA Account fee depends upon the market value of all assets, including cash balances, in the UMA Account. For example, an account with \$1,500,000 in assets will be charged a maximum annual net advisory fee rate of 1.25% for the first \$1,000,000 in assets and a maximum annual net advisory fee rate of 1.15% for the additional \$500,000 in assets in the account.

Fee Schedule:

Account Size	Maximum Annual Gross Advisory Fee	Minimum Annual Advisory Fee Credit ²	Maximum Annual Net Advisory Fee ³
\$0 to \$1,000,000	1.75%	0.50%	1.25%
Greater than \$1,000,000 to \$2,000,000	1.65%	0.50%	1.15%
Greater than \$2,000,000 to \$5,000,000	1.60%	0.50%	1.10%
Greater than \$5,000,000	1.45%	0.50%	0.95%

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 E*TRADE Capital Mgt. or its affiliates from funds held in the Advisory Account (or investment advisors of such mutual funds) for 12b-1, shareholder servicing, or other distribution, administration or bookkeeping fees. To the extent that the actual amount of such fees received by E*TRADE Capital Mgt. 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 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.

UMA Account fees are negotiable and may depend on such considerations as the size of the client's UMA Account(s) and other ETCM and ETS accounts, the amount of time a client has had the aforementioned accounts, the total amount of business the client conducts with ETS, including its affiliates, and other factors. Determination of account size for purposes of the UMA fee schedule may aggregate client's assets in other ETCM accounts such as the Managed Investment Portfolios program. Advisory fees are payable quarterly in arrears.

ETCM will instruct ETS to deduct the UMA advisory fee from the UMA Account and pay ETCM, generally from a cash position maintained in the UMA Account. A debit (negative) balance that may occur in the client's UMA Account due to insufficient funds will be paid by liquidating sufficient securities in the UMA Account to cover the debit balance. It is anticipated that a sufficient portion of a 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 UMA Account assets.

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

The UMA 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 and its affiliates, transfer and stamp taxes, exchange and conversion fees (including with respect to mutual fund exchanges, American Depository Receipts (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, fund redemption fees (including mutual fund redemption fees) and charges imposed by law. In addition, UMA Account fees do not cover ongoing mutual fund management fees and expenses of any mutual fund or ETF purchased in or transferred into a client's UMA Account.

The list of Advisory Assets for clients includes mutual funds that may 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 mutual funds and earn fees for such services.

The amount of any compensation received by ETCM or its affiliates from mutual funds held in the advisory account (or investment advisors of such mutual funds) (whether or not Advisory or Non-Advisory Assets) 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 Schedule. 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 pays half of the wrap fee to ETS and ETC in consideration for the brokerage and custodial services provided to the UMA program and a portion of the remainder of the fee to Lockwood in consideration of its services as co- advisor and co-sponsor of UMA. For information about Lockwood's payments to portfolio managers, please consult its firm brochure.

Compensation

An ETCM IAR may receive different types and levels of compensation for recommending UMA, 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 UMA. As a result, an IAR may have financial incentive to recommend one product or service over other products or services 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. The details of this compensation plan are not available for inspection by clients.

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 under the UMA Program is \$250,000. If a client withdraws funds from the UMA account in an amount that causes the total assets in the UMA account to fall below \$250,000, the UMA account may be terminated at ETCM's discretion. For each manager model utilized within a UMA portfolio, the minimum investment of the client's UMA account with a manager model is generally \$50,000.

Types of Clients

The UMA 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 UMA program is not available to pension or profit-sharing plans subject to the Employee Retirement Income Security Act ("ERISA").

Termination of UMA Account

ETCM, Lockwood, and ETS each reserves the right to terminate the UMA or a client's UMA Account and related Agreement at any time by 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 UMA fee.

A client may terminate a UMA Account by notice to ETCM, and will be responsible for any fees accrued up to the date of termination. Upon termination, the account will become a commission-based brokerage account and the IAR will not act in an investment advisory capacity for the client but may act in a brokerage capacity as a registered representative of ETS. As a result, the client will no longer be charged an UMA Account fee, but the client may 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.

ETCM and Lockwood reserve the right to decline any new account at any time. 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 notice within five business days of the date of the Agreement.

PORTFOLIO MANAGER SELECTION AND EVALUATION

Lockwood serves as an overlay manager of UMA with responsibilities relating to the selection, standards of oversight and ongoing performance evaluation of the nonaffiliated money managers used to manage Lockwood approved equity security model portfolios. The client should refer to Lockwood's brochures (ADV 2A and Appendix) for further information regarding Lockwood's process regarding due diligence for the portfolio managers of the models.

CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

ETCM and Lockwood collect information from clients through the completion of client profiles and risk tolerance questionnaires in order to assist in the development of

investment strategies and the selection of portfolio manager models that are suitable to the client's needs. The information collected typically relates to: financial objectives, investment time horizon, risk tolerance, the source of funds to be invested, the client's investment experience and considerations for tax sensitivity. For further detail about client information provided by Lockwood to any underlying managers, please consult Lockwood's brochures.

The information provided to underlying managers is limited to collective asset allocation targets related to all clients within a model with no specific client information being provided.

CLIENT CONTACT WITH PORTFOLIO MANAGERS

The client always has the ability to communicate with ETCM regarding the investments made in the client's account and may place reasonable restrictions on investments. Client communications with Lockwood can be arranged through ETCM if needed. However, clients are not generally permitted to contact any of the third party model managers.

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

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.

The potential conflicts of interest previously listed are addressed by ETCM by disclosure to the client through inclusion in this brochure. Clients may also refer to Lockwood's WRAP Fee Brochure (ADV 2A Appendix 1) for the UMA product regarding any other potential conflicts of interest that might apply.

Code of Ethics

E*TRADE has established, maintains and enforces a Code of Ethics in accordance with Rule 204A-1 under the Advisers Act. The Code of Ethics includes, but is not limited to, 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.

ETCM will provide a copy of the Code of Ethics to any client or prospective client free of charge upon request.

Participation or Interest in Client Transactions and Personal Trading

ETCM and its personnel may buy or sell securities that are also held by clients. These personnel may not trade their own securities ahead of client trades. 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.

ETCM's compliance staff reviews all reportable employee trades on a quarterly basis. ETCM's Chief Compliance Officer's trades are reviewed separately by the Compliance Surveillance Group of E*TRADE Financial. The personal trading reviews ensure that the personal trading of employees does not affect the securities markets, or interfere with ETCM's fiduciary duties to its clients.

Review of Accounts

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

UMA 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. IARs are available to discuss the QPRs with clients, and clients may contact the IAR assigned to the account at any time 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 transactions outside of the UMA 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 UMA 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 a UMA Account. 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 relating 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

Under the provisions of the client investment advisory agreement with Lockwood and ETCM, the client grants full discretion to ETCM and Lockwood to manage client portfolios in a manner that is consistent with meeting client investment objectives, investment restrictions and risk tolerances.

Under the agreement, the client directs that all transactions for the purchase or sale of securities and other investments will be executed through ETS. If Lockwood believes, in good faith, that another broker or dealer would provide better execution, considering all factors including the net price, then they may execute trades through another broker/dealer. If Lockwood were to execute a transaction through a broker/dealer other than ETS, the expense of commissions or other transaction costs for the

associated services provided by another broker or dealer would be an additional expense not included in the program fee.

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 UMA. 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

Lockwood votes proxies associated with the investments held in UMA portfolios in a manner designed to be consistent with its written proxy voting policy. Lockwood's proxy voting policy is further described in its WRAP Fee Brochure Appendix 1. A copy of the policy summary, the voting history associated with UMA investment holdings and the methodologies used to address potential conflicts of interest can be made available upon request.

Financial Information

E*TRADE Capital Management 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.