

BETTERMENT WRAP FEE BROCHURE

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This wrap fee program brochure provides information about the qualifications and business practices of Betterment LLC (hereinafter “Betterment”). If you have any questions about the contents of this brochure, please contact us at support@betterment.com or at 888-428-9482. 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 Betterment is available on the SEC’s website at www.adviserinfo.sec.gov.

Summary of Material Changes

The most recent previous update of this wrap fee program brochure was July 18th, 2010. The material changes introduced in this update are:

- The fee description has been updated to reflect Betterment's new fee structure. The fee rate for clients with account balances below \$10,000 has been lowered to .35%, fee rate for clients with account balances above \$10,000 and below \$100,000 has been lowered to .25%, and fee rate for clients with account balances above \$100,000 has been lowered to .15%. In addition, for Client's who maintain balances under \$10,000, and who do not participate in auto-deposit for at least \$100 per month, the fee is \$3 per month.

There are also non-material updates that have been made to the wrap fee program brochure in order to enhance the description and explanation of the wrap fee program.

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Services, Fees, and Compensation

General Information

Betterment, offers the Betterment Wrap Fee Program to prospective and current clients. Betterment, a limited liability company organized under Delaware law, is an SEC Registered Investment Adviser. Betterment maintains its principal office at 247 Centre Street, 5L, New York, NY 10003. Betterment is a sponsor of the Betterment Wrap Fee Program. Betterment Securities is a sponsor of the Betterment Wrap Fee Program. If you have questions regarding the material contained herein, please contact Betterment at support@betterment.com or at 888-428-9482.

Program Description and Investment Strategy

Betterment is a smart, simple way of managing savings and investments. This Wrap Fee Brochure is meant to help you understand the nature of your investments, you should review it carefully.

When an individual invests in securities, he or she must first determine what securities to purchase or sell. This process is often done in consultation with an investment advisor such as Betterment. When the decision making phase is complete an order is placed with a broker-dealer to execute the agreed transaction in the securities markets. Investment advisors generally place these orders on behalf of their clients. Typically investment advisors charge a fee that covers managing a portfolio but not the broker-dealer expenses related to executing trades and keeping custody of client assets. In the typical arrangement, those trade execution expenses are an additional charge to the client. A wrap fee program is a common alternative to a typical advisory fee structure that provides clients with advisory and brokerage execution services for one all-inclusive management fee with no additional account activity charges.

Betterment is organized as a wrap fee program because it best allows us to achieve our mission of simplifying smart saving and investing for our clients. For example, the wrap fee gives clients the freedom to add to or withdraw money from their accounts and change their Allocation without incurring any separate expenses for those activities.

Fees

Betterment clients pay an all-inclusive annualized wrap fee ranging from 0.15% to 0.35% of the client's account balance (please see the fee schedule attached to Betterment's Advisory Agreement, found in this document). For Client's who maintain balances under \$10,000, and who do not participate in auto-deposit for at least \$100 per month, the fee is \$3 per month. Clients who maintain balances under \$100,000 may elect a minimum fee of \$21 per month in order to customize portfolios. The fee is not negotiable. This fee includes charges for advisory services, custody of assets, execution and clearing of transactions, and account reporting. Clients participating in this program also agree to direct brokerage in their accounts through

Betterment Securities. Betterment and Betterment Securities negotiate with trading partners to execute transactions on the most favorable terms available. Betterment Securities's execution procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. Client should also consider that, depending on the amount of activity in a client's account and the value of custodial, trade execution, advisory, and other services which are provided under the arrangement, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Betterment may, at its sole discretion, offer some accounts with fees that differ from the standard fee schedule.

The fee is calculated as a prorated amount of a client's average daily balance over a calendar quarter and charged in four installments at the end of each quarter. The fee is not charged on the basis of a share of capital gains upon or capital appreciation of the Funds or any portion of the assets of an advisory client.

Betterment will automatically debit the prorated amounts of such fees from the assets in a client's account on a quarterly basis.

Account Requirements and Types of Clients

Betterment is open to all individuals who are U.S. residents and maintain a checking account with a U.S. Bank. There is no minimum account size to maintain a Betterment account, the minimum initial deposit is \$10.

Portfolio Manager Selection and Evaluation

Betterment directly manages the portfolios of all clients. The Betterment Wrap Fee Program is the only type of advisory services Betterment offers.

Portfolio Management Services

We think that a simpler financial product, with focused options, helps clients center on making clear choices and the best investment decisions. Our methodology advises clients to invest in well-diversified stock market holdings, for strong long-term returns, coupled with Treasury bonds, for steady income superior to typical bank account rates and lower volatility than the market. We implement this methodology by recommending a portfolio of broad market index Exchange Traded Funds and Treasury Bond Exchange Traded Funds ("Funds"). With our basic methodology in place, Betterment's online platform enables clients to fine tune their Allocation to match to their individual needs.

The investments offered at Betterment are integrated with the Betterment website where clients manage their Betterment account by setting an Allocation between portfolios of Funds available through the program. When clients deposit to or withdraw money from their Betterment account, they are initiating transactions for the purchase or sale of proportional interests in the available Funds, in an amount that corresponds to their Allocation. Similarly,

when clients adjust their Allocation they are initiating transactions to exchange available Funds for one another to reflect the updated Allocation.

Betterment offers 'rebalancing' of client portfolios so that in the face of fluctuating market prices each client's portfolio remains controlled to within a narrow range of his or her Allocation. Betterment recommends rebalancing because it has been shown to improve returns and because it simplifies account management for clients.

Betterment's portfolio management services also include a dividend reinvestment plan. Dividend reinvestment means that dividends from the client's Funds are used to purchase additional investments in accordance with a client's Allocation.

To participate in Betterment, clients are required to agree to have their accounts automatically rebalanced and their dividends automatically reinvested.

Investing in securities involves risk of loss that clients should be prepared to bear.

Investment Tools

In addition, the Betterment website provides tools to help clients project their expected returns, understand their risks, access information related to transactions, and review their account's prior performance. The website also includes various community-based features which give clients the opportunity to learn from each other and further optimize their investments.

Trade Execution, Account Maintenance, and Asset Custody

When clients choose Betterment they are also choosing the brokerage services of Betterment Securities, a FINRA member broker-dealer. Betterment Securities does not operate the Betterment website. Pursuant to contractual authority from the client, Betterment Securities will maintain all client accounts and execute all securities transactions in client accounts without separate commission costs or other fees. Participation in Betterment requires the appointment of Betterment Securities as broker. Betterment Securities's execution procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. Clients should consider whether or not the appointment of Betterment Securities as the sole broker may or may not result in certain costs or disadvantages to the client as a possible result of less favorable executions.

Generally, when clients make changes to their accounts during normal stock market hours transactions will be processed momentarily while changes clients make to their accounts when markets are closed will be processed the next business day. Transactions are sometimes subject to processing delays which can cause significant time lapses between the time clients have initiated a change to an account and execution. As a result of processing delays, account changes that occur less than thirty minutes before markets close may not transact until the next business day. Markets generally close at 4:00 PM ET. Further, deposits are automatically subject to a processing period that may be up to five business days or longer; deposit related

transactions will not occur until the next business day after this processing period is complete.

To treat all customers fairly and improve execution, Betterment Securities effects aggregated block transactions involving multiple Betterment Accounts. These transactions are not subject to any mark-ups, mark-downs, or dealer spreads. In conducting these transactions no client is favored over any other client and each client that participates in an aggregated transaction will participate at the average share price for transactions in the aggregated order.

A portion of each trade in client account is executed against Betterment's own principal account. In a principal transaction, an adviser, acting for its own account, buys a security from, or sells a security to, the account of a client. This principal portion is necessary at Betterment to round out transactions to the exact amounts clients want to deposit, withdraw, or allocate. At Betterment the size of the principal portion is always very small, and the prices Betterment receives are exactly the same as the prices every other client receives. However, please note that in general, there are conflicts of interest in principal transactions because the investment adviser is on the opposite side of a transaction from its client and the potential exists for the adviser to manipulate prices or sell unwanted securities. The Betterment Advisory agreement includes consent on the part of clients to Principal transactions.

Betterment Securities provides custody of client assets. Under an arrangement provided by Betterment Securities holds client assets at Penson Financial Services, Inc. ("Penson"). Betterment Securities has chosen to hold assets at Penson because of Penson's long history of security and stability. At Betterment, the safety and security of our client's assets is paramount. Penson will receive fees for its services.

There are never any separate fees for any trade execution or custody service.

Other Information about Betterment's Portfolio Management

Betterment manages all client assets on a non-discretionary basis. As of March 29, 2012 Betterment has \$36,026,673.12 under management. Betterment's fees are not charged on the basis of a share of capital gains upon or capital appreciation of the Funds or any portion of the assets of an advisory client. Betterment does not accept authority to vote client securities.

Client Information Provided to Portfolio Managers

Because Betterment manages all client portfolios directly, we do not share client information with other portfolio managers.

Client Contact with Portfolio Managers

Clients may contact Betterment by phone during our support telephone hours and via email at all times.

Additional Information

Betterment's Disciplinary History

Betterment has not been subject to any disciplinary events by regulators nor is it party to any legal events that are material to client evaluation of our advisory business.

Betterment's Financial Industry Activities and Affiliations

Betterment CEO Jon Stein is a registered principal of Betterment Securities, a FINRA member broker-dealer. Betterment COO Eli Broverman is a registered principal of Betterment Securities and is an attorney admitted to practice in New York.

Betterment's Code of Ethics

Betterment maintains a code of ethics that requires all officers and employees to conduct themselves with the highest standards of honest conduct and business ethics in all aspects of their activities concerning Betterment and Betterment clients. A copy of Betterment's Code of Ethics is available to clients and prospective clients upon request.

Participation in Client Transactions and Potential Conflicts of Interest

Betterment or individuals associated with Betterment may buy or sell securities identical to or different than those recommended to clients for their personal accounts. In addition, any related person(s) may have an interest or position in certain securities which may also be recommended to a client.

It is the expressed policy of Betterment that no person employed by Betterment may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This policy is intended to prevent employees from benefiting from transactions placed on behalf of advisory accounts.

Review of Accounts

Betterment's investment tools are intended for clients to utilize to review their account and better understand their holdings and performance. Betterment personnel conduct only limited, non-periodic individual reviews of client accounts when triggered by certain investment activity and account settings.

Client Referrals

Betterment offers compensation to current clients and affiliate marketers who recommend Betterment and refer new clients. New clients are advised of such compensation prior to opening an account. Betterment supervises the referral activities of current customers and affiliate marketers. Clients are not charged any fee nor do they incur any additional costs for being referred to Betterment by a current client or affiliate marketer.

Termination of Advisory Relationship

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

Fund Fees and Expenses

All fees paid to Betterment for investment advisory services are separate and distinct from the fees and expenses charged by Funds to their shareholders. These fees and expenses are described in each Fund's prospectus. These fees are generally composed of a management fee and other Fund expenses.

Privacy Policy

Betterment is committed to protecting our clients' private information. Betterment and Betterment Securities have instituted policies and procedures to ensure that customer information is kept private and secure. Betterment does not disclose any non-public personal information about its customers or former customers to any non-affiliated third parties except as required by or permitted by law or agreed to by the client. In the course of servicing a client account, Betterment may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and attorneys. Betterment restricts internal access to non-public personal information to those employees who need access to such information in order to provide products or services to a particular client. Betterment also maintains physical, electronic, and procedural safeguards to protect client information.

A copy of the Betterment's Privacy Policy is available on the Betterment website.

Subject to Change

From time to time Betterment may adjust its wrap fee program and policies. In the event of such adjustments this brochure will be modified as needed and an updated copy will be made available on the Betterment website.

Profiles of the Betterment Team

JON B. STEIN

Chief Executive Officer

Born 1979

Education

B.A., Harvard University, 2001

M.B.A., Columbia Business School, 2009

Business Background

Betterment, Chief Executive Officer, 2007 – Present

Betterment Securities Operations Specialist 2009 - Present

First Manhattan Consulting Group, Consultant, 2003-2007

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ELI D. BROVERMAN

Chief Operating Officer

Born 1978

Education

B.A., Brown University, 2001

J.D., NYU School of Law, 2005

Member New York State Bar Association

Business Background

Betterment, Chief Operating Officer, 2007 – Present

Betterment Securities Financial Specialist 2009 - Present

Proskauer Rose LLP, Associate, 2005-2007

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ANTHONY J. SCHRAUTH

Chief Product Officer

Born 1982

Education

B.S. The Wharton School of the University of Pennsylvania, 2005

Business Background

Betterment, Chief Product Officer, 2009 – Present

Betterment Securities Information Systems Specialist 2009 - Present

First Manhattan Consulting Group, Associate, 2005 – 2009

KIRAN D. KESHAV

Chief Technology Officer

Born 1978

Education

B.S. Queens University, 2001

M.S. Technology Management, Columbia University, 2009

Business Background

Betterment, Chief Technology Officer, 2009 – Present

Betterment Securities Software Specialist 2009 - Present

Columbia Center for Computational Biology, Manager, Core Software, 2005 – 2009