This Firm Brochure provides information about the qualifications and business practices of E*TRADE Capital Management, LLC.

If you have any questions about the content 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 (SEC) or by any state securities authority.

Additional information about E*TRADE Capital Management, LLC, is available on the SEC’s website at adviserinfo.sec.gov.

The IARD/CRD number for E*TRADE Capital Management, LLC, is 42159.

E*TRADE Capital Management, LLC is a registered investment adviser.

Registration of an investment adviser does not imply a certain level of skill or training.

June 21, 2019
ITEM 2. MATERIAL CHANGES

Annual Update

The “Material Changes” section of this Firm Brochure will be updated annually or when material changes occur since the previous release of this Brochure.

Material Changes Since the Last Update

E*TRADE Capital Management, LLC (“ETCM”) has made material changes to the Firm Brochure since the last Firm Brochure dated April 26, 2019.

ITEM 7. TYPES OF CLIENTS

Account Minimums

The standard minimum account balance to enroll in Core Portfolios was changed from $5,000 to $500.

E*TRADE Capital Management will provide a new Firm Brochure as necessary, based on changes or new information, at any time, without charge. To request the most recent Firm Brochure, please call ETCM at 866-484-3658.
ITEM 3. TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>COVER PAGE</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>MATERIAL CHANGES</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Annual Update</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Material Changes Since the Last Update</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>TABLE OF CONTENTS</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>ADVISORY BUSINESS</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Firm Description</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Principal Owners</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Types of Advisory Services</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Wrap Fee Programs</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>FEES AND COMPENSATION</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Fees</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Fee Billing</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Other Fees and Compensation</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Uninvested Cash</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>TYPES OF CLIENTS</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Investment Advisory Clients</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Account Minimums</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Methods of Analysis and Investment Strategies</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Risk of Loss</td>
<td>9</td>
</tr>
<tr>
<td>9</td>
<td>DISCIPLINARY INFORMATION</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Legal or Disciplinary Events</td>
<td>10</td>
</tr>
<tr>
<td>10</td>
<td>OTHER FINANCIAL INDUSTRY AFFILIATIONS AND ACTIVITIES</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Affiliations</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Potential Conflicts of Interest</td>
<td>11</td>
</tr>
<tr>
<td>11</td>
<td>CODE OF ETHICS AND PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Code of Ethics</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Participation or Interest in Client Transactions and Personal Trading</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>BROKERAGE PRACTICES</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Selecting Brokerage Firms</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Best Execution</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Soft Dollars</td>
<td>12</td>
</tr>
<tr>
<td>13</td>
<td>REVIEW OF ACCOUNTS</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Periodic Reviews</td>
<td>13</td>
</tr>
<tr>
<td>14</td>
<td>CLIENT REFERRALS AND OTHER COMPENSATION</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Incoming Referrals</td>
<td>13</td>
</tr>
<tr>
<td>15</td>
<td>CUSTODY</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Custody of Client Funds and Securities</td>
<td>13</td>
</tr>
<tr>
<td>16</td>
<td>INVESTMENT DISCRETION</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Discretionary Authority for Trading</td>
<td>13</td>
</tr>
<tr>
<td>17</td>
<td>VOTING CLIENT SECURITIES</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Proxy Voting</td>
<td>13</td>
</tr>
<tr>
<td>18</td>
<td>FINANCIAL INFORMATION</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Financial Condition</td>
<td>14</td>
</tr>
</tbody>
</table>
ITEM 4. ADVISORY BUSINESS

Firm Description

E*TRADE Capital Management, LLC, is an investment adviser registered with the US Securities and Exchange Commission ("SEC"). ETCM, under its predecessor name, was founded in 1996 and became a wholly-owned indirect subsidiary of E*TRADE Financial Corporation ("E*TRADE Financial" or "ETF") on October 3, 2005. E*TRADE Financial is a financial services company that provides brokerage, investment advisory services, and related products and services primarily to individual retail investors ("clients"). Under the Investment Advisers Act of 1940 ("Advisers Act"), ETCM has a fiduciary obligation to its clients. Additionally, ETCM is a fiduciary as the term is defined in Section 3(38) of the Employee Retirement Income Security Act of 1974 ("ERISA") and related Section 4975(e)(1)(A) of the Internal Revenue Code of 1986 with respect to accounts governed under Title 1 of ERISA.

ETCM provides discretionary investment advisory services to clients residing in the United States. These investment advisory services are administered by representatives conducting business under various titles or designations or through our digital platform. For purposes of this document, these associates are designated as investment adviser representatives ("IARs"). ETCM does not provide financial-planning, tax preparation, estate-planning, security-rating, pension-consulting, or market-timing services.

ETCM acts as sponsor and investment adviser for four discretionary Wrap Fee Programs (defined below under "Wrap Fee Programs" in Item 4 "Advisory Business"). All of ETCM's Wrap Fee Programs are described in more detail herein. ETCM has an agreement with Lockwood Advisors, Inc. ("Lockwood") to provide ETCM with impersonal advisory services for two of ETCM's Wrap Fee Programs. Lockwood also acts as co-sponsor and co-adviser for two additional ETCM Wrap Fee Programs. Lockwood does not provide investment advice directly to ETCM clients. Lockwood is an investment adviser registered with the SEC and an affiliate of Pershing LLC. Lockwood and Pershing LLC are NYSE Mellon companies, and none of these companies is affiliated with ETCM.

ETCM, with its service providers, offers ongoing portfolio monitoring for adherence to a client's strategy. ETCM and its IARs are affiliated with other entities that offer a variety of different financial products or securities, including commission-based products.

Investment advisory programs are subject to the general oversight of ETCM's Investment Policy Committee ("IPC"). Certain members of the IPC, who compose the Investment Strategy Team ("IST"), review portfolio data and provide information, analysis, and recommendations to the IPC.

Principal Owners

ETCM Holdings, LLC, is a 100% stockholder of ETCM. E*TRADE Financial, a publicly owned company traded on the Nasdaq Stock Market (symbol: ETFC), owns 100% of ETCM Holdings, LLC.

Types of Advisory Services

Discretionary Advisory Services

ETCM currently offers four discretionary investment management programs. Under these Wrap Fee Programs, clients are able to invest in portfolios using one or more of the following types of securities: registered open-end investment companies ("mutual funds"); US exchange-traded funds ("ETFs"); individual stocks through the use of manager model portfolios ("manager models"); individual bonds through professional third-party portfolio managers ("Portfolio Managers"); and other investment vehicles. The investments approved for use differ from program to program ("Advisory Assets"). Additionally, ETCM reserves the right to add or remove any security types from the list of Advisory Assets and change the list of investments composing the Advisory Assets without notice.

In providing its investment advisory services, ETCM determines a client's financial needs and objectives, gathering and analyzing customer profile and risk tolerance information (together "Investor Profile"). This is completed online through a web-based ETCM interface or an IAR interview. Investor Profiles contain financial information such as investment goals, liquidity needs, time horizon, investment restrictions, risk tolerance, investment experience, tax sensitivity, and the source of funds to be invested. ETCM analyzes the relevant information and determines which program(s) appears suitable. Prospective clients are provided with an Investment Proposal that describes a recommended asset allocation strategy and a diversified investment portfolio appropriate for the client's Investor Profile.

Clients have the ability to communicate with ETCM regarding the investments made in their accounts and discuss reasonable restrictions on investments or, in some cases, select a substitute investment. Certain ETCM advisory solutions allow clients to work with their IAR or a team of IARs, sometimes referred to as a "Team of Specialists" or "Managed Account Team" ("IAR Service Team"), to alter or change asset allocation percentages in each Model Portfolio (defined below under "Wrap Fee Program Information" in Item 4 "Advisory Business" of this Brochure). Clients are not permitted to hold margin accounts or to personally enter trade instructions in an ETCM advisory program. Certain cash management features that are available to other accounts held with ETCM's broker-dealer affiliate are not available for accounts enrolled in ETCM's Wrap Fee Programs, such as online Bill Pay or check writing, or require that the client submit the transaction request to ETCM.

ETCM's Wrap Fee Programs are not intended solely as cash management or income vehicles. The portfolios seek total return rather than to maximize portfolio yields. Total return is defined by ETCM as an effort to produce the most efficient return for a given level of risk.

For most but not all discretionary solutions, ETCM uses an algorithm to determine a prospective client's initial asset allocation or portfolio recommendation. The recommendation is based on the answers to the client's Investor Profile Questionnaire, which is sometimes referred to as a "Risk Tolerance Questionnaire," "Investor Questionnaire," or "Client Questionnaire" (collectively referred to herein as "questionnaire"). The suggested asset allocation is based on a generalized asset allocation strategy that considers several classes of assets based on the client's responses to the questionnaire. Not all answers on the questionnaire are weighted equally. Answers related to time horizon and risk tolerance are weighted the most when scoring the questionnaire. The recommendation is not a financial plan, and the algorithm does not consider outside assets, concentration of holdings in other accounts, client debt levels, and multiple investment goals.

Clients and prospective clients are able to reach out to an IAR or IAR Service Team with questions about the initial recommendation or general questions about the questionnaire. The questionnaire can be updated at any time when a goal or financial situation changes. Depending on the results of the new answers to the questionnaire, such updates could result in a new asset allocation or portfolio recommendation.

Wrap Fee Programs

Wrap Fee Program Information

ETCM acts as sponsor and investment adviser for four discretionary Wrap Fee Programs ("Wrap Fee Programs," each a "Wrap Fee Program"): Core Portfolios, Blend Portfolios, Dedicated Portfolios, and Fixed Income Portfolios. E*TRADE Personalized Investments is the name ETCM uses to describe these advisory programs collectively.

For additional information, please refer to the E*TRADE Wrap Fee Programs Brochure (Part 2A–Appendix 1), which is available on request.

ETCM Wrap Fee Program clients pay a single fee for investment advice and brokerage, clearing, and custodial services ("Advisory Fee" or "program fee"). Clients should review and consider if they would pay more or less if purchasing such services separately. This generally depends on commission rates and portfolio trading activity. Mutual funds and ETFs charge periodic management fees that are separate and apart from the program fee charged by ETCM. Unlike fees charged by mutual funds and ETFs, Lockwood pays management fees directly to the model managers and Portfolio Managers as part of the agreement between Lockwood and ETCM.

ETCM uses an affiliated broker-dealer, E*TRADE Securities LLC ("ETS"), to provide execution, clearing, and custodial services for Core Portfolios, Blend Portfolios, and Dedicated Portfolios client accounts. ETS is a registered broker-dealer firm and is subject to oversight by the SEC and the Financial Industry Regulatory Authority ("FINRA").

Clients who enroll in ETCM advisory programs are solely responsible for making all decisions related to enrollment of their account and bear responsibility for making any necessary updates to their Investor Profile information.

For Core Portfolios, ETCM evaluates a client's stated financial needs and objectives, compiling and analyzing the Investor Profile through the online interface.
For Fixed Income Portfolios, ETS provides clearing, settlement, custodial, and other brokerage-related services. Portfolio Managers, at their sole discretion, effect transactions for the purchase and/or sale of fixed income securities primarily through unaffiliated broker-dealers selected and used by the Portfolio Managers. These broker-dealers are unaffiliated with ETCM. This trading discretion is provided by clients through the terms of the Advisory Agreement. This type of trading is often referred to as “trading away” or “step-out trades” because they are executed by an unaffiliated broker-dealer. These bond transactions will incur fees and expenses in the form of commissions, markups, markdowns or “spreads,” and costs, such as but not limited to clearinghouse fees, SEC fees, odd-lot differentials, electronic fund and wire transfer fees, platform service and access fees, and ticket charges that are not covered by ETCM’s annual Advisory Fee. These fees are included in the bond price. ETCM’s affiliates and the Portfolio Managers do not add additional compensation or expenses (e.g., markups or markdowns, commissions, platform fees, ticket charges, and fees or costs noted above) to the bonds traded for accounts in a Fixed Income Portfolio; however, the unaffiliated broker-dealers, in certain circumstances depending on the unaffiliated broker-dealer used and the details of the specific transaction, include all of the above in the price of the bond transaction. In certain instances, ETS will execute a limited number of bond trades. For example, ETS will execute certain transactions for securities held at ETS that are liquidated to fund a Fixed Income Portfolios account and/or securities that are transferred into the account and must be liquidated. For additional information, please read the Portfolio Manager’s ADV Part 2, which is available on request, and Item 12 “Brokerage Practices” in this Brochure.

All brokerage accounts enrolled in a Wrap Fee Program are subject to the terms of the E*TRADE Securities Brokerage Customer Agreement. In addition, the account is subject to the relevant Wrap Fee Program Advisory Agreement between the client and ETCM and with ETCM and Lockwood as co-advisers for Dedicated Portfolios and Fixed Income Portfolios.

Pursuant to an agreement with ETS, ETCM retains some of the fees it receives for advisory and portfolio management services and distributes a portion to ETS to cover the costs associated with brokerage, custodial, administrative, and technological services rendered, as well as other services provided to support the advisory programs.

Lockwood provides impartial advisory services to ETCM to assist with the research, selection, investment, and allocation of client assets in Core Portfolios and Blend Portfolios. The addition and removal of mutual funds and/or ETFs is reviewed and approved by ETCM’s IPC. ETCM and Lockwood agree to act as co-sponsors and co-advisers for Dedicated Portfolios and Fixed Income Portfolios. ETCM and Lockwood provide advisory services that include the research, selection, investment, and allocation of Dedicated Portfolios client assets in certain mutual funds, ETFs, or manager models that invest in individual equities. Portfolio Managers provide the day-to-day management of Fixed Income Portfolios accounts. ETCM’s IPC reviews all changes in the Wrap Fee Programs.

The IPC is responsible for the composition, the asset allocation, and changes to Wrap Fee Portfolios models (“Model Portfolios”), as well as the underlying Advisory Assets of the Wrap Fee Programs, except for Fixed Income Portfolios. ETCM and Lockwood jointly develop a selection of Portfolio Managers and investment styles (“Portfolio Manager Universe”) for inclusion in Fixed Income Portfolios. The Portfolio Manager Universe is subject to the review and approval of the IPC. Portfolio Managers are responsible for the individual investment decisions in connection with Fixed Income Portfolios. Lockwood, at its discretion, reserves the right to remove the availability of a Fixed Income Portfolios investment style if the particular style fails to meet Lockwood’s defined screening criteria and replace it with another investment style from the same or a different Portfolio Manager.

For Core Portfolios, Blend Portfolios, and Dedicated Portfolios, ETCM applies its proprietary quantitative screening methodology (including historical performance and risk measures) to the universe of mutual funds and ETFs available to ETCM via the ETS investing and trading platform (“Fund Universe”). Lockwood provides research and advisory services to ETCM with regard to the construction of the Model Portfolios offered through the Wrap Fee Programs. Lockwood’s screening is conducted on an impersonal and ongoing basis.

The IPC, with the support of the ISI, prepares an investment analysis methodology that 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 or research services to clients enrolled in Core Portfolios and Blend Portfolios. The IPC is responsible for the determination of the prudence of all investments on the list of Advisory Assets for Core Portfolios and Blend Portfolios.

ETCM engages 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 the Core Portfolios and Blend Portfolios programs.

For the Dedicated Portfolios program, ETCM and Lockwood work together to make changes to the portfolios. Lockwood serves as the discretionary money manager and will be reasonably available to clients for consultation.

With respect to Dedicated Portfolios accounts, ETCM’s key responsibilities primarily relate to the following: initial and ongoing evaluation of client investment objectives and risk tolerance; initial and ongoing determination of appropriate manager models to be used and the asset allocations that meet client investment objectives and risk tolerances; performance of ongoing consultations regarding changes in client investment objectives and reasonable investment restrictions; and monitoring of Dedicated Portfolios accounts to determine whether rebalancing is required to maintain asset allocations within the range of target allocations.

Lockwood’s key responsibilities primarily relate to the following: the application of research, risk and quantitative analysis, and other screening methodologies to evaluate and select a universe of mutual funds and ETFs available for use in Dedicated Portfolios account construction; reviewing Dedicated Portfolios account rebalancing needed to maintain investment allocation within the range of target allocations; providing oversight of the construction of Dedicated Portfolios accounts that are designed to meet clients’ objectives and risk tolerances; serving as the overlay manager that evaluates the performance, investment process, and investment style consistency of nonaffiliated model managers assigned to manage a Dedicated Portfolios manager model, and managing the overall trading activity in the portfolios.

With respect to Fixed Income Portfolios accounts, ETCM’s key responsibilities primarily relate to the following: initial and ongoing evaluation of client investment objectives and risk tolerance; initial and ongoing determination of appropriate Portfolio Manager(s) to be used and the asset allocations that meet client investment objectives and risk tolerances; and performance of ongoing consultations regarding changes in client investment objectives and reasonable investment restrictions.

Fixed Income Portfolios offers actively managed portfolios that invest in either short-term, intermediate-term, or long-term bonds and ladder bond portfolios with different maturity ranges from one to five years, one to 10 years, or one to 15 years. For Core Portfolios, Blend Portfolios, and Dedicated Portfolios, ETCM and/or Lockwood select the initial portfolio investments and allocations, monitor the account, rebalance the account when it is out of tolerance with the portfolio’s asset allocation parameters, and adjust portfolio holdings when necessary. Clients are provided with the asset allocations as part of their Investment Proposal. Out-of-tolerance parameters and/or predetermined calendar rebalancing
schedules, if applicable, are reviewed and set by ETCM and are subject to change. Calendar rebalancing is currently not available for certain Dedicated Portfolios that are concentrated in a small number of manager model portfolios. There are multiple investment allocation strategies available through the various Wrap Fee Programs, which are recommended based on information collected from the client. Rebalancing parameters for each advisory program may differ depending on account balance.

Depending on the amount of money invested by clients, Core Portfolios accounts hold whole shares and/or interest in fractional shares of ETFs (“fractional shares”). Fractional share trading is offered as a service to Core Portfolios accounts. The potential benefits of this feature include, but are not limited to, gaining access to professional management with low initial minimum investments; achieving greater portfolio diversification by allowing investors to hold more positions and asset classes within their portfolios; and lowering cash holdings. Clients holding fractional shares can see these portfolio positions reported in US dollars or shares. Fractional shares are illiquid, cannot be sold directly into the market, may not be transferred via an automated clearinghouse, and are typically not recognized outside of the ETS trading platform.

Clients electing to invest in Core Portfolios, Blend Portfolios, or Dedicated Portfolios containing mutual funds and/or ETFs have the option to invest in portfolios that are tax-sensitive. Tax-sensitive portfolios contain municipal bond mutual funds or ETFs to help reduce taxes incurred on income associated with those portfolios.

Fixed Income Portfolios accounts will differ based on which Portfolio Manager is selected and the strategy of the portfolio. Actively managed bond portfolios seek to outperform a market benchmark and invest in bonds with different maturities. Clients selecting an actively managed bond portfolio have the ability to choose between a tax-sensitive portfolio that invests in municipal or other government bonds and a portfolio that is not tax-sensitive that invests in corporate bonds. The laddered bond portfolio invests in bonds with specified maturity dates and do not seek to outperform a market benchmark. The laddered bond portfolios are currently available only for tax-sensitive strategies. ETCM in the future could expand the laddered bond portfolios to include strategies that are not tax-sensitive.

All taxable Dedicated Portfolios accounts are managed in a tax-aware manner. This means that Lockwood seeks to balance the dual objectives of reducing portfolio drift with minimizing taxable gains. This is accomplished by using tax filters and synchronizing the sell disposition of the account with Lockwood’s sell disposition, which is the FIFO (first in, first out) cost basis method. All taxable Dedicated Portfolios accounts must have a sell disposition of FIFO because purchase trading and tax lot reconciliation are not available for Dedicated Portfolios.

Over time, market fluctuations cause various asset classes to become over- or under-weighted in relation to the designated model allocation. When necessary to maintain designed asset allocations, ETCM (with Lockwood for the Dedicated Portfolios program) makes periodic determinations to rebalance a Wrap Fee Program account. The rebalancing is performed, in accordance with parameters established by ETCM (with Lockwood for Dedicated Portfolios) to correspond to a client’s investment strategy. For further information about the Wrap Fee Program rebalancing methodologies, please see “Periodic Reviews” in Item 13 “Review of Accounts” in this Brochure. Given the investment strategy of the individual bond portfolio, Fixed Income Portfolios does not have a rebalancing feature.

Advisory Assets for Core Portfolios and Blend Portfolios are limited to one or more of the following: ETFs, shares of no-load funds, load-waived A-Shares, and/or institutional class shares of mutual funds. New Core Portfolios accounts are limited to ETFs. For Dedicated Portfolios accounts, Advisory Assets include these mutual funds and/or ETFs, and a portion of the portfolio is invested directly in equity securities using an equity manager model overlay tool. The universe of manager models is reviewed and approved by Lockwood. ETFs selected for inclusion in the portfolios attempt to replicate an index or, in some cases, are actively managed.

ETCM actively manages Core Portfolios that use client-selected strategies. ETCM allows clients to select strategies including either smart beta or socially responsible investment holdings (“client-selected strategies”) within the recommended asset allocation for Core Portfolios. Clients acknowledge and agree that ETCM is not providing investment advice regarding client-selected strategies and related investments, nor is ETCM recommending the prudence of such selections. Clients should be cognizant that when choosing a client-selected strategy, that portion of the portfolio could perform differently than other strategies available through Core Portfolios. Therefore the strategy could meet certain personal investment preferences, but clients will need to consider if these strategies are in their best interest (or that of the retirement account). ETCM client-selected strategies are also available in other advisory programs.

ETCM Wrap Fee Programs do not directly hold securities issued by ETFC or securities issued by BNY Mellon or its affiliates. ETFC and its affiliates do not directly advise or manage mutual funds, ETFs, manager models, or Strategist Portfolios (as defined below); however, investment advisers affiliated with Lockwood manage mutual funds or ETFs, and investment advisers constructing Strategist Portfolios manage mutual funds or ETFs in the Strategist Portfolios (see more information about Strategist Portfolios below). Furthermore, Lockwood and/or its affiliates are service providers, such as a trustee or an administrator, for mutual funds or ETFs used in Wrap Fee Program models and, depending on the fund, Lockwood or its affiliates will receive a fee from the mutual fund or ETF for performing such services. Although these relationships represent a potential conflict of interest, Lockwood has indicated in its Co-Sponsored Programs Wrap Fee Program Brochure that it does not receive a portion of mutual fund or ETF management fees and it does not consider trustee or administrative fees received by an affiliate in its recommendation or retention of investment vehicles. ETCM does not consider Lockwood’s other service provider relationships when selecting holdings for its managed account portfolios.

For additional information regarding these potential conflicts of interest, please refer to Lockwood’s Co-Sponsored Programs Wrap Fee Program Brochure or an individual Portfolio Manager’s ADV Part 2A, which are available on request.

Each of the adviser firms for the Wrap Fee Programs has discretionary authority over their respective clients’ assets, as well as the authority to determine, without obtaining specific client consent, the securities (or amount of securities) to be bought or sold in a client’s Wrap Fee Program account. ETCM prohibits clients from purchasing or selling securities in their Wrap Fee Program accounts and has instituted a block on purchases and sales by clients in those accounts. ETS provides clients with an account statement at least quarterly, as well as a prospectus or summary prospectus for each mutual fund or ETF purchased in a client’s Wrap Fee Program account. Clients are also able to review a prospectus or summary prospectus by visiting etrade.com/mutualfunds or etrade.com/etf.

Core Portfolios clients are responsible for electronically updating their Investor Profile and risk profile, such as regarding financial condition and investment goals. An electronic notification is sent quarterly to remind Core Portfolios clients of their responsibility to update their profiles.

Whether a Wrap Fee Program, or which one, is suitable for a client depends on a number of factors, including the size of the Wrap Fee Program account, the amount of trading expected in the Wrap Fee Program account as compared with accounts that do not charge single wrap fees, the client’s risk tolerance and particular financial needs and circumstances, and the fees charged.

ETCM (for Core Portfolios and Blend Portfolios), Lockwood (for Dedicated Portfolios), and the Portfolio Managers (for Fixed Income Portfolios) 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 changes to the list of Advisory Assets does not mean a particular client portfolio will change.

Blend Portfolios clients will be able to select a portfolio with a branded investment strategy created by a financial firm not affiliated with ETCM (“Unaffiliated Firm”) (“Strategist Portfolios”). Strategist Portfolios are investment portfolios constructed, branded, and licensed for use by the Unaffiliated Firm. The Unaffiliated Firm will be acting through its employees, contracts, and agents to provide the Strategist Portfolios. ETCM does not select the investments in Strategist Portfolios, although ETCM does review and approve the Strategist Portfolios offered by Unaffiliated Firms. ETCM is not providing investment advice regarding a client’s selection of a Strategist Portfolio over another portfolio available in Blend Portfolios, and clients are entirely responsible for their decision to select a Strategist Portfolio. Clients do not pay any additional Advisory Fee to ETCM or the Unaffiliated Firm for use of a Strategist Portfolio. There is a strong likelihood that Strategist Portfolios will be composed of mutual funds and ETFs managed and sponsored by Unaffiliated Firms, and Unaffiliated Firms will receive fees related to the management of any proprietary ETFs and mutual funds.

Margin accounts are not permitted in the Wrap Fee Programs. The Wrap Fee Programs are not leveraged and do not engage in short selling. Certain cash management features that are available to other accounts held with ETCM’s broker-dealer affiliate are not available to ETCM accounts, such as Bill Pay, debit/credit cards, and check writing, or require that the client submit a transaction request to ETCM.

Clients electing to borrow money from E*TRADE Savings Bank, a subsidiary of E*TRADE Financial and a federally chartered savings bank, are permitted to use the assets in their eligible Core, Blend, Dedicated or Fixed Income Portfolios Wrap Fee Program account to collateralize the loan, subject to the consent of E*TRADE Savings Bank (such lending program, the “E*TRADE Line of Credit”). Retirement accounts are not eligible for collateralization for an E*TRADE Line of Credit.
The advisory fee is based on the amount of the assets under management as of July 15, 2019, and is subject to change on reasonable notice. The advisory fee is calculated using the fee schedules in effect on that date. ETCM may choose to reduce or rebate the advisory fee, in whole or in part, including in connection with both promotional and marketing efforts and investment management services offered to employees, affiliates' employees, and certain former employees. The Advisory Fee is paid quarterly in arrears and prorated for partial quarters. The Advisory Fee is subject to change on reasonable notice; however, increases in the fee require written client consent.

ETCM deducts its Advisory Fee from the client's assets. ETCM has the ability to deduct the fee from an alternate billing account designated by the client and agreed to by ETCM.

Clients should review and consider if they would pay more or less if purchasing such services separately, depending on commission rates and portfolio trading activity. When assessing a Wrap Fee Program's cost, clients should consider the amount of trading activity they anticipate, other Wrap Fee Programs offered by ETCM, and other factors such as commission rates, investment experience and knowledge, and their availability to monitor and rebalance investments. Mutual funds and ETFs charge underlying fees and expenses that are separate and apart from the Advisory Fee charged by ETCM. When possible, ETCM selects institutional share classes that typically charge lower underlying fees and expenses.

For the Dedicated Portfolios and Fixed Income Portfolios programs, Lockwood pays management fees directly to the model managers or Portfolio Managers as part of the agreement between Lockwood and ETCM.

Please note that Advisory Fees are calculated using the fee schedules based on the Wrap Fee Program account's daily weighted average market value of all assets, including cash balances, for the period as calculated on or around the close of business each quarter. Fees are assessed at a blended rate. The quarters end on the last day of March, June, September, and December. As the market value of the Wrap Fee Portfolio reaches a higher breakpoint, as shown in the following tables, the assets within the higher-breakpoint category are often charged a lower fee. In certain circumstances, due to an error by ETCM or a third-party vendor, if clients are owed by ETCM a monetary credit or less than $5, the proceeds of the credit will be donated to an investor education charity. A monetary credit of $5 or more will be credited to the advisory account. With regard to terminated accounts, ETCM will make commercially reasonable efforts to provide the credited amount to former clients.

Wrap Fee Program fees do not cover ongoing fund management fees and expenses of any mutual fund or ETF purchased in or transferred into a client's account. Assets in the account are not subject to ordinary transaction fees (e.g., commissions or markups/markdowns).

The Advisory Fee does not cover, and the client will be additionally responsible and charged for, applicable brokerage commissions, markups, markdowns, and other transaction charges for trades executed at firms other than ETS and its affiliates (although the client's Wrap Fee Program account will be blocked from any purchases and sales by the client). Other transaction charges and fees typically include but are not limited to custody, transfer, and stamp taxes; exchange and conversion fees (including with respect to mutual fund exchanges, American Depository Receipt conversions, and conversions of convertible bonds); clearinghouse fees; SEC fees; odd-lot differentials; electronic fund and wire transfer fees; platform service and access fees; account transfer fees; auction fees; debit balances; margin interest; and charges imposed by law.

Clients should review the Form ADV Part 2A Brochures of Lockwood and the Portfolio Managers for more information regarding such brokerage practices as "trading away" and "step-out trades" and conflicts of interest, and consider any additional expenses.

With regard to Title I ERISA accounts, ETCM relies on being a level-fEE fiduciary for the ongoing management of the Wrap Fee Programs.
Core Portfolios Fee Schedule

The following reflects the standard Advisory Fee charged to Core Portfolios clients.

<table>
<thead>
<tr>
<th>Account Market Value</th>
<th>Annual Advisory Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500 and over</td>
<td>0.30%</td>
</tr>
</tbody>
</table>

Blend Portfolios Fee Schedule

The following reflects the standard blended Advisory Fee charged to Blend Portfolios clients.

<table>
<thead>
<tr>
<th>Account Market Value</th>
<th>Annual Advisory Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $100,000</td>
<td>0.90%</td>
</tr>
<tr>
<td>Next $150,000</td>
<td>0.80%</td>
</tr>
<tr>
<td>Next $250,000</td>
<td>0.75%</td>
</tr>
<tr>
<td>Next $500,000</td>
<td>0.70%</td>
</tr>
<tr>
<td>Next $1,000,000 and over</td>
<td>0.65%</td>
</tr>
</tbody>
</table>

Dedicated Portfolios Fee Schedule

The following reflects the standard blended Advisory Fee charged to Dedicated Portfolios clients.

<table>
<thead>
<tr>
<th>Account Market Value</th>
<th>Annual Advisory Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $1,000,000</td>
<td>1.25%</td>
</tr>
<tr>
<td>Next $1,000,000</td>
<td>1.15%</td>
</tr>
<tr>
<td>Next $3,000,000</td>
<td>1.10%</td>
</tr>
<tr>
<td>Next $5,000,000 and over</td>
<td>0.95%</td>
</tr>
</tbody>
</table>

Fixed Income Portfolios Fee Schedule

The following reflects the standard blended Advisory Fee charged to Fixed Income Portfolios clients.

<table>
<thead>
<tr>
<th>Account Market Value</th>
<th>Bond Ladder Annual Advisory Fee</th>
<th>Actively Managed Annual Advisory Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $1,000,000</td>
<td>0.45%</td>
<td>0.75%</td>
</tr>
<tr>
<td>Next $2,000,000</td>
<td>0.40%</td>
<td>0.70%</td>
</tr>
<tr>
<td>Next $3,000,000 and over</td>
<td>0.35%</td>
<td>0.65%</td>
</tr>
</tbody>
</table>

Other Fees and Compensation

Affiliates of ETCM provide marketing, shareholder servicing, distribution, administration, bookkeeping, and other services for mutual funds held in clients’ advisory portfolios and earn fees, such as Rule 12b-1 fees, for such services. These fees are disclosed in each mutual fund’s prospectus.

All ETCM clients are subject to the underlying mutual fund and ETF expenses in their invested accounts (reflected in the expense ratio of these funds described in each fund’s prospectus). The additional operating costs or expenses are separate from the program fee for the Wrap Fee Program accounts. The Advisory Fee and the operating costs and expenses are applicable to the uninvested cash balances in the Wrap Fee Program accounts, which are generally invested in the JPMorgan U.S. Government Money Market Fund Capital Class (“JPMorgan Government MMF”) unless otherwise designated by ETCM. For Wrap Fee Program portfolios, depending on the relationship between ETS and the mutual fund company, the amount of these fees due to ETCM or its affiliates will be either withheld by the mutual fund clearing company or rebated to the advisory account.

Fees associated with the JPMorgan Government MMF are separate and apart from ETCM’s Advisory Fee. Clients are responsible for paying sales loads on loaded mutual fund assets being transferred into any ETCM-advised account. Transactions and assets in the Wrap Fee Program accounts are not subject to ordinary transaction costs (e.g., commissions or markups/markdowns).

The Core Portfolios, Blend Portfolios, Dedicated Portfolios, and Fixed Income Portfolios Advisory Fees do not cover costs associated with assets held outside these program accounts or charges associated with other accounts that the client has with ETCM or its affiliates, including, without limitation, transaction charges relating to purchases of Advisory Assets that the client elects to make outside of ETCM’s advisory accounts.

Additional services that are not part of the investment account, for which ETCM normally charges a fee, are the client’s responsibility (e.g., overnight mail and wire transfers). Any additional service fees are deducted from the cash portion of a client’s account.

As dually registered representatives of ETCM and ETS, IARs receive different types of compensation for the sale of investment advisory services offered by ETCM and/or brokerage services offered by its affiliates and, thus, will have a financial incentive to recommend one product or service over other products or services available to the client. Compensation relating to ETCM’s investment advisory services is currently more than the compensation provided to an IAR if a client purchases brokerage products and services. As a result, an IAR will have a financial incentive to recommend ETCM’s advisory services over other products or services available.

In addition, IARs are, under certain circumstances, incentivized to recommend other advisory programs or products and services from ETS and its affiliates, including the E*TRADE Line of Credit from E*TRADE Savings Bank or referrals to the E*TRADE Advisor Network ("Network"), before or after recommending a Wrap Fee Program. These incentives include compensation based on the gross revenue generated by E*TRADE Lines of Credit or compensation based on the amount of assets transferred to an investment adviser in the Network. This compensation does not vary depending on whether the IAR’s clients use brokerage accounts or advisory accounts to collateralize their E*TRADE Line of Credit compensation based on the amount of assets transferred to an investment adviser in the Network.

From time to time, IARs participate in sales contests or are paid cash compensation related to products offered by ETCM. Any cash compensation paid by ETCM for client referrals or solicitations will be made only in accordance with applicable rules under the Adviser Act and, when applicable, ERISA. 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. All written compensation plans are subject to change.

Uninvested Cash

Uninvested cash balances are invested daily in a money market fund or other short-term cash vehicles (“Sweep Options”) that are available through ETS and its affiliates. The Sweep Option is subject to change at any time without notice. Clients have the option to call 800-ETRADE-1 (800-387-2331) or, a Financial Consultant or an IAR Service Team specialist to change the
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

ETCM does not charge performance-based fees or engage in side-by-side account management activities. Performance-based fees are based on a share of capital gains or capital appreciation of a client’s account. Side-by-side management is the practice of managing accounts that are charged a performance-based fee while at the same time managing accounts that are not charged.

ITEM 7. TYPES OF CLIENTS

Investment Advisory Clients

The Wrap Fee Programs are generally available to individuals, joint accounts, trusts, charitable organizations, corporations, business entities residing in the United States, retirement accounts, and certain plans under Title I of ERISA. US military persons stationed outside the United States are considered US residents for the purposes of enrollment eligibility.

Not all account types are available for enrollment in Core Portfolios, including trusts, charitable organizations, corporations, and business accounts.

Client relationships vary in scope and length of service. ETCM reserves the right to decline any new account and to resign as advisor to any account after initiation of an investment advisory relationship for any reason at its sole discretion.

ETCM does not provide financial-planning, tax preparation, estate-planning, security-rating, pension-consulting, or market-timing services.

In compliance with the US Treasury Department’s Office of Foreign Assets Control (“OFAC”) sanctions program, ETCM or its designee checks to verify that a client’s name does not appear on OFAC’s “Specially Designated Nationals and Blocked Persons” list. ETCM or its designee will also review existing accounts against these lists when they are updated. If ETCM or its designee determines that a client is on one or more of these lists, ETCM or its designee will determine the proper course of action.

Core Portfolios is available for joint account holders. For joint accounts, any joint account holder can accept the Investment Proposal and enroll in an account on behalf of any joint account holder(s) by accepting the Advisory Agreement.

Account Minimums

ETCM currently offers Wrap Fee Programs with varying account minimums and fees. ETCM reserves the right to waive account minimums at its sole discretion. In instances where ETCM lowers or completely waives the account minimum for new clients, an initial minimum deposit must be made to enroll in a Wrap Fee Program.

If a client withdraws funds from their Wrap Fee Program account in an amount that causes the total assets in the account to fall below the referenced minimum, ETCM reserves the right to choose to terminate the Advisory Agreement. Upon termination of the Advisory Agreement, the client’s account is converted to a standard ETS brokerage account.

The standard minimum account balances to enroll in a Wrap Fee Program are listed below:

- Core Portfolios: $500
- Blend Portfolios: $25,000
- Dedicated Portfolios: $150,000
- Fixed Income Portfolios: $250,000

The minimum account size to enroll in a Wrap Fee Program is subject to change. With the Dedicated Portfolios program, for each manager model portfolio used in a Dedicated Portfolios account, the minimum investment of the client’s Dedicated Portfolios account with a Model Portfolio is generally $50,000. Therefore, portfolios that enroll in the Dedicated Portfolios advisory program with account balances close to the Dedicated Portfolios advisory program minimum will not have access to the full array of manager model investment options available when creating a diversified Dedicated Portfolios account. In situations where a Dedicated Portfolios account’s asset class allocation requirements are less than the corresponding manager model minimums, those portions of the Dedicated Portfolios account will be constructed using mutual funds and/or ETFs. Prospective clients should weigh this fact with the other Dedicated Portfolios program features when selecting Dedicated Portfolios over other advisory programs offered by ETCM that also invest in mutual funds and/or ETFs and charge a lower annual Advisory Fee. Dedicated Portfolios Advisory Fees are neither raised nor lowered based on the number of manager models included in a Dedicated Portfolios account. IARs will consider other ETCM advisory programs if the number of model managers available for the creation of the Dedicated Portfolios account does not fulfill the investor’s needs and objectives.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Methods of Analysis and Investment Strategies

Security analysis methods include quantitative (mathematical), fundamental (financial), technical (price and market), and cyclical (trend and time series) analyses. No particular analytical discipline can predict the absolute outcomes of a planned investment strategy, and any such discipline must consider various uncertainties, including but not limited to the risks subsequently described.

ETCM and its service providers, such as Lockwood, consult financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the SEC, and company news releases to assist them in formulating investment advice. Other sources of information that ETCM and its service providers use include but are not limited to Morningstar, Inc.; Litman Gregory Advisor Intelligence, Zephyr Association, Inc; and additional internet resources.

With regard to Blend Portfolios, Dedicated Portfolios, and Fixed Income Portfolios, the continuing role of the IAR or IAR Service Team is to review and monitor an advisory account and be available to conduct annual reviews with a client to discuss the client’s personal financial condition, investment goals, appropriate strategy (asset allocation risk profile), and performance. The client must contact their IAR or IAR Service Team promptly whenever any significant change in the client’s personal or financial condition or investment goals occurs, to discuss whether changes in asset allocation are necessary. Core Portfolios clients must update their Investor Profile via etrade.com.

Alternate asset allocations and alternate advisory asset selections from the initial and subsequent portfolio recommendations are available for the Core Portfolios, Blend Portfolios,
and Dedicated Portfolios programs. Clients can log on to etrade.com at any time to change their risk profile information. Core Portfolios clients have the ability to also change their portfolio to one that is tax-sensitive. Clients should be aware that there is no additional benefit if a qualified retirement account invests in a tax-sensitive portfolio. Dedicated Portfolios clients can request reasonable restrictions based on investment category (e.g., alcohol, gambling, tobacco, and/or oil stocks) or by individual stock, mutual fund, ETF name, and ticker symbol. Clients in the Fixed Income Portfolios program have the ability to impose restrictions on specific bond CUSIP numbers (a multi-character alphanumeric code that identifies specific financial securities).

ETCM makes redemptions and purchases of mutual fund shares, ETFs, or manager models in the Dedicated Portfolios accounts to reallocate client assets according to any revised allocation targets. Changes include both adding and removing Advisory Assets and changing the percentage ownership in some or all Advisory Assets held in the client’s Wrap Fee Program account.

Information about a portfolio’s investment strategies and risk is available in the client’s Investment Proposal; however, the underlying mutual funds, ETFs, manager models (in Dedicated Portfolios), and Portfolio Managers (in Fixed Income Portfolios) reserve the right to use portfolio strategies or investments that are different from those mentioned in the Investment Proposal. Prospect clients or clients who have questions about the investments and investment strategies used in a portfolio should consult their IAR or IAR Service Team.

The following provides a general description of the analysis approach, as well as the investment strategy, for each of ETCM's Wrap Fee Programs.

Core Portfolios and Blend Portfolios

ETCM has engaged Lockwood to apply its proprietary quantitative screening methodology (including historical performance and risk measures) to the Fund Universe and to provide research and advisory services to ETCM with regard to the construction of the Model Portfolios (as defined below) offered through Core Portfolios and Blend Portfolios. Screening is conducted on an impersonal and ongoing basis.

The IPC, with the support of the IST, prepares 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 Core Portfolios and Blend Portfolios clients. The IPC is responsible for the determination of all investments on the list of Advisory Assets for Core Portfolios and Blend Portfolios.

Portfolios of ETFs, mutual funds, ETFs and mutual funds, or manager model portfolios matching the predetermined asset allocations strategies are created and maintained for each risk model to establish base portfolios. Such portfolios are referred to as “Model Portfolios.” There is no guarantee that these portfolios will exactly duplicate client account holdings, depending on the timing of a particular client’s account implementation and restrictions imposed, if any.

Over time, market fluctuations can cause various asset classes to become over- or underweighted in relation to the designated risk profile allocation. To maintain designated asset allocations, ETCM periodically rebalances an account in the Core Portfolios and Blend Portfolios programs. Rebalancing is performed in accordance with parameters established by ETCM. For additional information on rebalancing, please see Item 13 “Review of Accounts” in this Brochure.

Dedicated Portfolios

Lockwood applies its proprietary quantitative screening methodology (including historical performance and risk measures) to the Fund Universe and provides research and advisory services to ETCM with regard to the construction of Dedicated Portfolios accounts. The IPC, with the support of the IST, reviews the overall administration of Dedicated Portfolios accounts and Lockwood’s screening results. The IPC incorporates various quantitative criteria, including historical return, risk, performance and style consistency, and dispersion analysis, in performing its duties.

Portfolios of model managers, mutual funds, and/or ETFs are created based on each client’s specific investment needs within the predetermined asset allocations. Lockwood does not provide investment advice directly to Dedicated Portfolios clients.

Over time, market fluctuations cause various asset classes to become over- or underweighted in relation to the designated risk profile allocation. To maintain designated asset allocations, ETCM periodically rebalances a Dedicated Portfolios account. This rebalancing is performed in accordance with parameters established by ETCM. For additional information on rebalancing, please see Item 13 “Review of Accounts” in this Brochure.

Fixed Income Portfolios

For the Fixed Income Portfolios program, ETCM, through the IPC and with the support of the IST, works with Lockwood to select, remove, or add investment managers from Lockwood’s universe of investment managers. The IST conducts due diligence and monitors the Portfolio Managers. Lockwood provides oversight of the Portfolio Managers.

Risk of Loss

Wrap Fee Programs and recommendations have certain risks that are borne by the investor. Investing in securities involves the risk of loss. ETCM’s investment approach strives to keep the risk of loss in mind. At a minimum, investors face the following types of investment risks, while not an all-inclusive list, depending on the selected investment product and the portfolio of held investments.

- **Interest rate risk.** Fluctuations in interest rates could cause investment prices to fluctuate and have an adverse impact on the value of fixed income securities. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline. The value of securities with longer maturities is generally affected by a greater degree than the value of those with shorter maturities.

- **Market risk.** The price of a security, bond, or mutual fund could drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic, and social conditions have the ability to trigger market events.

- **Inflation risk.** When any type of inflation is present, a dollar today might not buy as much as a dollar next year because purchasing power can change due to the rate of inflation.

- **Duration risk.** Duration is a measure of the sensitivity of the price or principal value of a fixed income investment or portfolio due to a change in interest rates. Generally, fixed income portfolios with longer bond maturities carry a greater duration risk than portfolios with shorter bond maturities.

- **Currency risk.** Overseas investments are subject to fluctuations in the value of the US dollar against the currency of the investment’s originating country. This is also referred to as “exchange rate risk.”

- **Reinvestment risk.** This is the risk that future proceeds from investments could be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

- **Credit risk.** This refers to the possibility that an issuer of a bond is not able to make principal and interest payments. Many fixed income securities receive credit ratings from nationally recognized statistical rating organizations that assign ratings to securities by likelihood of issuer default. The ratings range from AAA, which is the highest rating, to D, which indicates no rating. Changes in the credit strength of an issuer is an example of when a reduced rating could affect the value of the bond.

- **Business risks.** These risks are associated with a particular industry or company within an industry. For example, before they can generate a profit, oil-drilling companies depend on finding oil and then refining it, which is a lengthy process. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity risk.** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury bills are highly liquid, while real estate properties are not.

- **Financial risk.** Excessive borrowing to finance a business’s operations increases the risk of loss because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations could result in bankruptcy and/or a declining market value.

- **Concentration risk.** This is the risk of amplified losses that could occur from having a large portion of holdings in a particular investment, asset class, or market segment relative to the investor’s overall portfolio.
• Risk associated with Advisory Assets that invest in alternative investments. Alternative investment strategies go beyond the traditional long-only equity and fixed income strategies and therefore involve a higher degree of risk, including short sale and derivative risks. Alternative investment holdings, including mutual funds that engage in alternative investment strategies, are not for everyone and could even be considered speculative.

• Cybersecurity risk. ETCM depends on digital and network technology to conduct its day-to-day business operations and to fulfill its obligations to clients. The use of such technology presents a potential risk to both ETCM and its clients with respect to cyberattacks by unauthorized third parties attempting to disrupt or gain access to sensitive confidential information. Breaches in cybersecurity have the ability to result in incidents, including but not limited to disclosure of a client’s personal identifiable information, misappropriation or destruction of data, denial of service, and operational disruption. Such incidents could cause ETCM or its affiliates to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. ETCM relies on the E*TRADE Financial Corporation Enterprise Information Security Policy to manage and mitigate risks associated with safeguarding the information of E*TRADE Financial Corporation, its affiliates, and their customers and employees. Adherence to the policy, however, does not guarantee that a cybersecurity incident will not occur.

• Technology risk. There are risks involving gaps or errors arising from the use of digital and network technology. These potential gaps could result in errors in the day-to-day management of the advisory solutions. ETCM relies on regular testing and reviews of the advisory programs to help manage and mitigate such risks. This is not seen as a guarantee against errors, but it serves to help protect the integrity of the systems and seeks to identify and resolve those errors in a timely manner.

• Rebalancing risk. A rebalancing strategy seeks to minimize relative risk by aligning the portfolio to a target asset allocation as the portfolio’s asset allocation changes. Rebalancing a portfolio has the ability to limit the upside growth potential of the portfolio, and these types of strategies might rebalance the client accounts without regard to market conditions. Furthermore, rebalancing strategies do not necessarily address prolonged changes in market conditions.

• Loan and collateral risk. Clients electing to borrow money from E*TRADE Savings Bank are permitted to “pledge” or use the assets as collateral in their eligible Core, Blend, Dedicated, or Fixed Income Portfolios Wrap Fee Program account. Such lending program, the E*TRADE Line of Credit. While IARs are involved in promoting the E*TRADE Line of Credit, participation in the program is self-directed, and ETCM has no involvement with a client’s decision to secure their E*TRADE Line of Credit account with a Wrap Fee Program account. The terms and conditions applicable to the E*TRADE Line of Credit are governed by the E*TRADE Line of Credit and Security Agreement and other applicable loan documents (collectively the “Loan Documentation”). ETCM is an affiliate of the E*TRADE Financial Corporation and is a related person of E*TRADE Financial Corporation, its affiliates, and their customers and employees. Adherence to the policy, however, does not guarantee that a cybersecurity incident will not occur.

• Legal or Disciplinary Events

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.

ITEM 9. DISCIPLINARY INFORMATION

Legal or Disciplinary Events

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.

ITEM 10. OTHER FINANCIAL INDUSTRY AFFILIATIONS AND ACTIVITIES

Affiliations

ETCM is a related person of ETS, E*TRADE Futures, and E*TRADE Savings Bank. E*TRADE Futures is a non-clearing futures commission merchant. ETCM is affiliated with E*TRADE Savings Bank, performing certain functions in connection with the E*TRADE Advisor Services (“ETAS”) division. ETAS offers a managed account portfolio management technology platform for unaffiliated third-party registered investment advisers. ETAS’s platform allows RIAs to trade, rebalance, and manage assets. ETAS is not a broker-dealer or registered investment adviser. ETCM maintains an intercompany agreement with ETS. ETS and its affiliates provide services and support to ETCM. In addition, ETS and its affiliates share certain employees with ETCM necessary for the operations of ETCM. 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, including the IAR Service Team, are dually registered 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 is available to discuss with the client their 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 are located in these call centers and branch offices. ETS representatives solicit clients for, or refer clients to, ETCM’s IARs for investment advisory services.

IARs outside the IAR Service Team are paid additional compensation related to products offered by ETCM. Any compensation paid by ETCM for client referrals or solicitations will be
made only in accordance with the Advisers Act. Any referral payment does not represent an incremental amount above and beyond the 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. All written compensation plans are subject to change.

From time to time, ETCM IARs refer clients to ETS. If an IAR refers a client to an affiliate, the IAR discloses to the client at the time of the referral the nature of the affiliation between the referring party and the affiliate.

ETS provides asset custodial 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 ETS. The cost of such services is included in the fees charged by ETCM to Wrap Fee Program clients.

ETS receives compensation in connection with the purchase and holding of mutual fund shares by clients. Such compensation includes but is not limited to Rule 12b-1 fees, shareholder service fees, and sub-accounting fees that are paid out of fund assets. ETS also receives payments from affiliates of a mutual fund, such as the adviser or distributor, out of its own resources. These fees are disclosed in each mutual fund’s prospectus. For Wrap Fee Program portfolios, depending on the relationship between ETS and the mutual fund company, the amount of these fees due to ETCM or its affiliates will be either witheld by the mutual fund clearing company or rebated to the client accounts.

ETS on occasion has negotiated business relationships with the affiliated distributor or investment adviser of some mutual funds. Under these business relationship arrangements, ETS receives revenue-sharing payments from the mutual fund affiliates. The payments are for distribution, shareholder servicing, and marketing services (e.g., advertising on E*TRADE Financial’s website, co-branding in sales materials, and/or website disclosures) performed by E*TRADE Financial and for access to sales representatives and sponsored sales conferences and/or training programs. These payments are not made from mutual fund assets and are in addition to the Rule 12b-1 fees and shareholder service fees disclosed in each mutual fund’s prospectus. The fees ETS or its affiliates receive vary 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 ETS customers. For Wrap Fee Program portfolios, the amount of these fees due to ETCM or its affiliates will be either withheld by the mutual fund clearing company or rebated to the client accounts.

No part of the revenue-sharing fees received by ETS is paid or directed to any sales representatives. To the extent that revenue-sharing arrangements pay for conferences and other educational opportunities for these representatives; however, it could lead representatives to place more focus on the funds that have a revenue-sharing arrangement with ETS or its affiliates. For information regarding a particular mutual fund’s payment and compensation practices, please see the fund’s prospectus and statement of additional information.

ETS has contracted with exchange-traded fund companies to receive certain compensation in connection with the purchase of ETFs offered commission-free through ETS. This additional compensation is paid by an affiliate of the ETF. The compensation ETS receives as a result of these relationships is paid based on initial setup fees and a percentage of invested assets that ranges depending on the fund company. ETS does not receive compensation for commission-free ETF assets held in advisory programs.

(E) Potential Conflicts of Interest

Overview

Conflicts of interest or potential conflicts of interest commonly refer to activities or relationships in which ETCM’s or its affiliates’ interests compete with the interests of ETCM’s clients.

ETCM aims to provide full and fair disclosure of these activities or relationships in this Brochure and the Advisory Agreement. In addition to the information in this Brochure, please consider the following information regarding conflicts of interest.

E*TRADE Financial representatives are responsible for (a) identifying conflicts of interests within the brokerage and adviser-related business lines of E*TRADE Financial and (b) reviewing controls, policies, and procedures to assess the associated risks of such conflicts. Although E*TRADE attempts to assess risk, this does not mean that these applicable risks are eliminated. This group reviews and discusses potential conflict-of-interest practices and procedures for ETCM and implements enhancements as necessary.

The principal executive officers and other control persons of ETCM allocate a substantial portion of their time to the management of other E*TRADE Financial subsidiaries. This arrangement results in competing priorities and resources to execute each entity’s business plan.

ETCM’s affiliates give investment guidance and/or take actions in the performance of their duties that differ from or are inconsistent with the advice given or actions taken for other client accounts or employee accounts. Recommendations made by ETCM differ from recommendations or guidance provided by its affiliates. In addition, an ETCM principal executive officer provides business consulting services to unaffiliated registered investment advisers. These RIAs are not direct competitors of ETCM, and no information about ETCM or its clients is shared with the RIAs. The executive officer has the ability to serve on the RIA’s Advisory Board and receive compensation for such services. The officer is not considered an employee or partner of the RIAs. Furthermore, these activities do not conflict with the officer’s fiduciary duty to ETCM’s clients.

The universe of mutual funds available to ETCM is limited to the mutual funds and respective share classes available on the ETS mutual fund platform. As a result, ETCM does not have access to all mutual funds. Furthermore, certain retail share classes available on the ETS platform impose fees and expenses that are not generally imposed by institutional or advisory share classes of the same mutual fund and therefore could be less cost-effective.

IARs are, under certain circumstances, incented to recommend other advisory programs or products and services from ETS and its affiliates, including the E*TRADE Line of Credit from E*TRADE Savings Bank, before or after recommending a Wrap Fee Program. These incentives include compensation based on the gross revenue generated by E*TRADE Lines of Credit. This compensation does not vary depending on whether the IAR’s clients use brokerage accounts or advisory accounts to collateralize their E*TRADE Line of Credit. Additionally, IARs refer ETS customers and current and prospective clients to unaffiliated registered investment adviser firms and are compensated for those referral activities.

For more information about the potential conflicts of interest related to trading activities of certain employees, please refer to Item 11 immediately below.

Clients should refer to Lockwood’s Co-Sponsored Programs Wrap Fee Program Brochure for the Dedicated Portfolios and Fixed Income Portfolios advisory programs regarding any other potential conflicts of interest that might apply.

ITEM 11. CODE OF ETHICS AND PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

ETCM has adopted a Code of Ethics (“Code”) as mandated by the Advisers Act rules. The Code requires certain employees of E*TRADE Financial and its subsidiaries to comply with applicable federal securities laws and to report violations of the Code. Employees who are covered by the Code are deemed to be “access persons” (also referred to herein as “supervised persons”) because they provide investment advice or have access to certain related information.

The Code includes the following provisions.

a. Standards of business conduct required of access persons, which standards reflect fiduciary obligations and those of supervised persons to advisory clients;
b. Terms requiring supervised persons to comply with applicable federal securities laws;
c. Terms and procedures relating to the review and approval of certain securities transactions and holdings by supervised persons with access to client information;
d. Procedures for reporting violations of the Code; and

The Code will provide a copy of the Code to any client or prospective client on request.

Participation or Interest in Client Transactions and Personal Trading

ETCM’s supervised persons often have multiple brokerage accounts as well as different investment objectives, risk tolerances, and financial goals for those accounts. ETCM’s supervised persons also have the ability to enroll their accounts in one or several of ETCM’s advisory programs.
Although ETCM's managed portfolios are designed for long-term investing, the investment strategies for the accounts associated with ETCM's supervised persons can differ substantially from those of ETCM's clients. As such, supervised persons can buy, sell, or sell short securities that are also held in client portfolios. These supervised persons might also engage in short-term trading strategies that could involve the use of options. ETCM's advisory program can also include mutual fund holdings that engage in short selling, alternative investment strategies, or the use of various options strategies.

IARs do not have access to information about pending or contemplated material transactions in Wrap Fee Programs, and no supervised person shall knowingly trade their own securities ahead of client trades.

Many of the ETCM officers and supervised persons enrolled in ETCM advisory programs also serve as members or invited guests of the IPC. ETCM's supervised persons must comply with the provisions of the ETCM policies and procedures and the Code.

With the *ETR*ADE Line of Credit, a client has the option to “pledge” or use their Wrap Fee Program as collateral for loans obtained from *ETR*ADE Savings Bank. The costs associated with such loans are not included in the Wrap Fee Program Advisory Fee and will result in additional compensation to *ETR*ADE Savings Bank and its affiliates. This additional compensation, as well as *ETR*ADE Savings Bank's lien on Wrap Fee Program Advisory Assets, will result in a conflict of interest between ETCM and its clients and in conflicting incentives of the management of the Wrap Fee Program account. ETCM addresses these conflicts of interest through its disclosure in this brochure, through the disclosure in the Loan Documentation, and through policies and procedures designed to ensure that accounts containing collateralized assets are not managed differently from other Wrap Fee Program accounts. For further information about eligible Wrap Fee Program accounts and the risks and conflicts associated with using assets in a Wrap Fee Program account to collateralize a loan from *ETR*ADE Savings Bank, please refer to "Loans and collateral risk" under Item 8 “Methods of Analysis, Investment Strategies, and Risk of Loss.”

If a conflict or potential conflict of interest arises, ETCM's Chief Compliance Officer, or *ETR*ADE Financial's Enterprise Brokerage Compliance if the potential conflict involves ETCM's Chief Compliance Officer, will review the facts and circumstances and, if necessary, take appropriate steps, including but not limited to administrative actions, trade sanctions, and the reversal of related trades associated with persons subject to the ETCM Code.

Access person trades are monitored by the Compliance staff. Trading should not affect the securities markets or interfere with ETCM's fiduciary duties to its clients.

**ITEM 12. BROKERAGE PRACTICES**

**Selecting Brokerage Firms**

Under the provisions of the Advisory Agreement, Wrap Fee Program clients, except for clients enrolled in the Fixed Income Portfolios program, elect to direct all brokerage transactions to execute through ETS. Those clients cannot designate or select a different broker. Not all investment advisers require clients to direct their accounts to use a broker that has been selected by the investment adviser.

For the Fixed Income Portfolios program, Portfolio Managers almost always effect transactions for the purchase and/or sale of fixed income securities through unaffiliated broker-dealers selected and used by the Portfolio Managers. This type of trading is often referred to as “trading away” or “step-out trades.” Clients should review the Form ADV Part 2A Brochure of the selected Portfolio Manager for more information regarding that Portfolio Manager’s brokerage practices.

ETCM or its affiliates and broker-dealers selected by Fixed Income Portfolios Portfolio Managers have the ability to aggregate orders when possible to seek to lower the underlying execution costs associated with the transactions. Trade allocations from block trades are executed through average price accounts, and shares traded in the same block order are allocated to clients in a fair and equitable manner. There are no trading commissions charged to clients enrolled in ETCM’s Wrap Fee Programs. Under certain circumstances, similar trades are executed throughout the trading day to accommodate various client needs, including withdrawal requests.

Fractional shares do not trade in the market and therefore require ETCM’s affiliated broker-dealer, ETS, to engage in a practice called “trading along,” whereby ETS adds a fractional share to ETCM's aggregated sell orders so that the order is rounded up to whole shares or buys the remainder fraction that is left over from block buy orders. All clients that are part of the aggregated order, including ETS, receive the average price for that block trade order.

As part of this fractional share trading along process, ETS maintains a facilitation account that holds a small number of ETF shares in inventory for sell orders and keeps cash on hand for buy orders. Due to a variety of factors such as the number of trades executed, allocating fractional shares to multiple clients at one time, and market price volatility, ETS may accrue a de minimis net profit or loss in its fractional share facilitation account. Details regarding the trading along process are available by calling the MAT Team.

Core Portfolios ETF trades are aggregated with other Core Portfolios client trades when appropriate. These trades are executed with other aggregated trades from ETCM's other advisory programs. Under these circumstances, a different trade order (or block trade order) is placed, and clients receive different prices compared with client trades placed and executed during other hours of the trading day. All ETCM trade orders are executed in one of ETCM's average price accounts. The price represents an average of multiple executions, or it represents a single execution at the price indicated. For plans subject to ERISA, block trades placed in the average price account are done in a manner consistent with the plan’s interest and that does not disadvantage the plan. Details regarding trades executed in the average price account are available on request. Executed positions are allocated by an accounting entry from the average price account to the client’s account. ETCM client trades are not crossed with other client orders or ETS brokerage customer orders.

**Best Execution**

ETCM has adopted a Best Execution Policy pursuant to which ETCM reviews trade exception reports containing samples of trades to monitor for best execution. Pursuant to its Best Execution Policy review practices, ETCM periodically reviews the results of ETS customer trade execution data and best execution processes to determine if there is a reasonable good-faith process in place designed to seek best execution of ETS customer trades, including ETCM client portfolio trades.

In addition, the ETS Best Execution Committee is responsible for assessing whether the market centers that receive and execute ETCM trades are upholding their best execution obligations for ETCM clients. The committee meets periodically and reviews data regarding the execution quality of equity and ETF trades completed through ETS, including ETCM client trades.

Clients should note that under the order-routing arrangement described above, the most favorable execution of client transactions cannot always be guaranteed when compared with the trade executions that other broker-dealers provide their customers. This practice could result in higher prices paid or lower proceeds received for trades. ETS posts data on “price improvement” and other trade execution data on its website, etrade.com.

For the Dedicated Portfolios program, if Lockwood believes in good faith that another broker-dealer would provide better execution, considering all factors including the net price, Lockwood has the ability to 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-dealer would be an additional expense paid by clients and not included in the Advisory Fee.

For Fixed Income Portfolios, Portfolio Managers, as well as Lockwood and ETCM, have an obligation to seek to obtain best execution for the trades in client accounts. A Portfolio Manager, at its sole discretion, will place trade orders with any broker-dealer pursuant to the terms of the Advisory Agreement, if the Portfolio Manager believes that doing so is consistent with its obligation to seek best execution. The ETS Fixed Income Best Execution Committee assists with monitoring, reviewing, and discussing execution statistics for fixed income securities purchased and sold in the Fixed Income Portfolios program. ETCM conducts due diligence reviews of trades made by unaffiliated third-party broker-dealers for Fixed Income Portfolios.

**Soft Dollars**

ETCM has no soft dollar arrangements and does not receive soft dollar credits from brokers with whom client portfolio trades are executed. The term soft dollars is used to describe the circumstances whereby an adviser or money manager directs trade orders through a certain broker-dealer who in return for the brokerage business provides certain services, such as research, at no additional charge.
ITEM 13. REVIEW OF ACCOUNTS

Periodic Reviews

Wrap Fee Programs

Wrap Fee Program performance is reviewed at least quarterly by the IPC. The IPC, working with the IST, reviews the Model Portfolio holdings and determines if changes should be made.

Wrap Fee Programs use rebalancing methodologies based on portfolio allocation drift parameters and/or a calendar rebalancing schedule. Client portfolio allocations are compared with target allocation drift parameters and rebalanced periodically to bring the portfolio into alignment with target allocations.

Core Portfolios, Blend Portfolios, and Dedicated Portfolios accounts are reviewed daily for cash deposits and withdrawals that would have an impact on a portfolio’s allocation. If the allocation percentages are out of tolerance with the portfolio’s asset allocation parameters, the account is rebalanced.

Accounts that are enrolled in Core Portfolios for at least 60 days, and Blend Portfolios or Dedicated Portfolios accounts enrolled for at least one year, will participate in semi-annual rebalancing, which rebalances the portfolio regardless of whether the portfolio allocation is outside the drift parameters. Out-of-tolerance parameters and/or rebalancing methodologies are subject to change. Core Portfolios rebalancing parameters may differ depending on total balance and other factors.

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

For Blend Portfolios, Dedicated Portfolios, and Fixed Income Portfolios, the continuing role of the IAR or IAR Service Team is to review and monitor the investment account and be available to conduct annual reviews with the client to discuss the client’s personal financial condition, investment goals, appropriate strategy (asset allocation), and performance. The client must contact their IAR promptly whenever any significant change in the client’s personal or financial condition or investment goals occurs, to discuss whether changes in asset allocation are necessary.

Accounts enrolled in Blend Portfolios are serviced by Financial Consultants or an IAR Service Team specialist, which is also referred to as a “Managed Account Team.”

Once enrolled for a full quarter, ETCM Wrap Fee Program clients receive a Quarterly Portfolio Review (“QPR”), by mail or electronically. The QPR contains market commentary for the previous quarter, all the account positions, net investment amount (beginning value plus contributions minus withdrawals), performance information, and important disclosures about the information provided to the client. IARs or the IAR Service Team are available to discuss QPRs with clients, and clients can contact the IAR or IAR Service Team assigned to the account at any time to discuss the advisory program or transactions in their portfolios.

Core Portfolios clients must update their Investor Profile promptly or contact their IAR or IAR Service Team whenever any material change in their personal or financial condition and/or investment goals occurs so that ETCM can determine whether changes in asset allocation are necessary. Core Portfolios clients will receive electronic communications from ETCM about their managed accounts.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Incoming Referrals

ETCM does not currently have any solicitation agreements with third parties but reserves the right to enter into such agreements for advisory client referrals.

ETCM receives client prospect referrals from employees of affiliates, particularly ETS call center employees. Referral fees are paid only to the extent that such an arrangement complies fully with the requirements under the Advisers Act.

While serving in their role as ETS representatives, IARs receive other brokerage compensation in connection with products and services sold by ETS.

IARs have the ability to 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 Wrap Fee Program account.

ITEM 15. CUSTODY

Custody of Client Funds and Securities

ETCM uses the services of its affiliated qualified custodian ETS to hold and maintain securities and funds held in its Wrap Fee Programs. ETCM deducts Advisory Fees from client accounts and therefore is deemed to have custody; however, the firm does not maintain physical custody of cash or assets.

ETCM is affiliated with its custodian and engaged an independent public accountant to perform a surprise examination to verify client assets. The most recent independent public accountant’s report (Form ADV Part E) is filed with the SEC by the accountant and is available to the public at adviserinfo.sec.gov.

Wrap Fee Program clients should carefully review the account statements they receive from their qualified custodian and compare those account statements with the information contained in reports received from ETCM.

ITEM 16. INVESTMENT DISCRETION

Discretionary Authority for Trading

All of ETCM’s Wrap Fee Programs require clients to grant ETCM discretionary authority to manage the account on the client’s behalf. The Dedicated Portfolios and Fixed Income Portfolios programs require clients to grant discretionary authority to both ETCM and Lockwood to manage the account on the client’s behalf. When a client enrolls in an advisory program with ETCM, the client executes an investment advisory agreement, and included in the terms of the agreement is a limited power of attorney granting discretionary authority to execute securities transactions.

ITEM 17. VOTING CLIENT SECURITIES

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 Wrap Fee Program accounts.

If the client has a plan subject to Title I of ERISA, ETCM, on its own behalf and on behalf of its affiliates, notes that (a) it has been expressly excluded from taking such actions on behalf of the plan in the Advisory Agreement and (b) 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 receive their proxies directly from the custodian or transfer agent.

For the Dedicated Portfolios program only, Lockwood votes proxies associated with the investments held in the portfolios in a manner designed to be consistent with its written proxy voting policy.

For plans governed by ERISA, clients choose to delegate proxy voting to Lockwood for accounts where it is the co-adviser. If delegated, Lockwood votes proxies associated with the investments held in co-advised portfolios in the manner described above.

Lockwood’s proxy voting policy is further described in its Co-Sponsored Programs Wrap Fee Program Brochure, as well as in ETCM’s Wrap Fee Programs Brochure.

A copy of the policy summary, the voting history associated with Dedicated Portfolios investment holdings, and the methodologies used to address potential conflicts of interest can be made available on request.

For the Fixed Income Portfolios program, Lockwood and the Portfolio Managers are typically responsible for responding to any corporate actions related to the bonds held in the portfolios.

**ITEM 18. FINANCIAL INFORMATION**

**Financial Condition**

ETCM does not have any financial impairment that precludes the firm from meeting contractual commitments to clients.

ETCM does not require or solicit prepayment of Advisory Fees and is therefore not required to include a copy of its balance sheet for its most recent fiscal year.