



Placemark Investments, Inc.

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This brochure provides information about the qualifications and business practices of Placemark Investments, Inc. (“Placemark”). If you have any questions about the contents of this brochure, please contact us at (972) 404-8100 and/or compliance@placemark.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Placemark is available on the SEC’s website at www.adviserinfo.sec.gov. You may also visit our website at www.placemark.com.

Placemark is registered as an “investment adviser” with the SEC. Registration with the SEC and/or the use of the term(s) “registered investment adviser” and/or “registered” does not imply a certain level of skill or training.

Item 2. Material Changes

In July 2010, the SEC adopted new rules requiring registered investment advisers to provide prospective and existing clients with a narrative brochure written in “plain English” and organized in a proscribed format with mandatory section headings. This brochure has been updated from the one dated November 10, 2009 to, among other things, comply with these new disclosure requirements.

In the future, this section will discuss only the specific material changes that have occurred since the last annual update to the brochure and will, as a reference, include the date of the last annual update of the brochure.

If you would like to receive additional copies of our brochure, please contact us by telephone at 972-404-8100 or by e-mail at compliance@placemark.com.

Item 3. Table of Contents

Item Number	Item	Page Number
1	Cover Page	i
2	Material Changes	ii
3	Table of Contents	iii
4	Advisory Business	1
5	Fees and Compensation	5
6	Performance-Based Fees and Side-By-Side Management	7
7	Types of Clients	7
8	Methods of Analysis, Investment Strategies and Risk of Loss	9
9	Disciplinary Information	16
10	Other Financial Industry Activities and Affiliations	17
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	20
12	Brokerage Practices	21
13	Review of Accounts	24
14	Client Referrals and Other Compensation	25
15	Custody	25
16	Investment Discretion	26
17	Voting Client Securities	26
18	Financial Information	28

Item 4. Advisory Business

A. General Description of Placemark

Placemark provides discretionary investment advice to individual and institutional clients through overlay portfolio management services, tax overlay management services, and index portfolio management. Placemark is a Delaware corporation that is a wholly owned subsidiary of Placemark Holdings, Inc. (“Placemark Holdings”), another Delaware corporation, and has been in business since 1999. Placemark Holdings, in turn, is owned by several shareholders, including by various limited partnerships – IDG Ventures Atlantic I, L.P., IDG Ventures Atlantic II, L.P., and Ascent Venture Partners IV-A, L.P. - each of which owns greater than 25% or more of a class of voting securities of Placemark Holdings. The Trustees of Princeton University and a limited partnership, IVA II Holdings, L.P. own greater than 25% of the capital of IDG Ventures Atlantic II, L.P.

B. Description of Advisory Services

Placemark provides discretionary investment advice to individual and institutional clients mainly through overlay portfolio management services. It also provides investment advice through tax overlay management services and index portfolio management. Solely through our discretion, we may offer other types of advisory services.

Through overlay portfolio management services, Placemark typically seeks to manage all or a portion of a client’s account (a “sleeve”) according to a model portfolio so that the risk and return characteristics of the account or sleeve tracks, as is reasonably feasible, the risk and return characteristics of such model portfolio. The model portfolio is based on the recommendations of one or more investment managers or strategists that act as investment advisers and/or sub-advisers to Placemark (“Model Portfolio Advisers”) who are selected by the client or an unaffiliated financial institution, such as independent investment advisers and dually registered broker-dealer/investment advisers, often through which the client is introduced to Placemark (the “Primary Advisor”). In tracking the model portfolio, Placemark, among other items, may coordinate recommendations from multiple Model Portfolio Advisers within a client’s account and may screen for wash sales across Model Portfolio Advisers through a number of different platforms. Through tax overlay management services, Placemark considers the anticipated tax consequences of transactions to improve the after-tax returns of an account or sleeve in a manner consistent with the risk and return characteristics of a model portfolio. Through index portfolio management, Placemark may, itself, be responsible for determining the contents of a model portfolio and for providing portfolio management services to an account or sleeve. Each of these services is further described below:

(1) Overlay Portfolio Management Services

Placemark’s overlay portfolio management services include discretionary investment management to a single custodial account, usually called a “unified managed account” or “UMA”, which may contain individual securities, mutual fund shares, exchange-traded funds (“ETFs”) and other investment products. In providing overlay portfolio management services,

Placemark uses its propriety investment technology and processes to coordinate and implement the recommendations of Model Portfolio Advisers, which are described in greater detail in Item 8(A) below.

Placemark's services in overlay management programs may also include (in addition to investment management): use of a customized version of Placemark's web-based desktop application available to personnel of financial institutions sponsoring wrap fee managed account programs ("Sponsors") and Primary Advisors and their financial consultants, advisors, representatives and/or relationship managers ("Financial Advisors") for opening accounts and ongoing monitoring (referred to as the "Desktop"); coordination for accounts that elect to use Placemark's tax overlay management services; accounting solutions; integration services; and consultant/advisor sales and related support. These services may also include services to facilitate trading, custody and clearing through third-party broker-dealers and other service providers.

Placemark's overlay portfolio management services may be provided in a wrap fee managed account program, as described below, or through unbundled managed account programs offered and administered by the Primary Advisor.

(2) Tax-Overlay Management Services

If selected by a client and/or on the client's behalf by the Primary Advisor or the client's Financial Advisor, Placemark will also provide tax overlay management services to an account or sleeve. Often, these accounts will also receive overlay portfolio management services as described above. The end goal of tax overlay management services is to improve the after-tax return for the client while staying as consistent as possible with the risk/return characteristics provided by the model portfolios. Tax overlay management services are available only to U.S. clients, though Placemark may provide similar services for non-U.S. clients upon agreement with a program's sponsor. Tax overlay management services are provided solely in connection with accounts managed by Placemark except where external tax events are communicated to Placemark or in the case of linked accounts as described Item 8. Placemark, however, does not provide general tax planning advice or services.

(3) Index Portfolio Management – Market Index Solutions™

In some programs, clients may elect to include in their account a sleeve allocated to Placemark's Market Index Solutions™ strategy - a "passive" or index sleeve for which Placemark, and not a Model Portfolio Adviser, is responsible for determining the contents of the model portfolio (each an "MIS Sleeve"). Placemark incorporates the model portfolio developed for the MIS Sleeve into its overlay management investment process as described above in a way that is similar to how it uses model portfolios provided by Model Portfolio Advisers. Placemark's goal in creating the MIS Sleeve model portfolio is to match the return of a benchmark index without materially over- or under-performing relative to the return of the benchmark index.

C. Tailoring of Advice to Clients

Placemark generally does not consult directly with clients on the features and mandates of an account, but usually works through the clients' Financial Advisors. Placemark tailors its advice based on the account features selected for the client. Financial Advisors, Primary Advisors and Sponsors are typically responsible for selecting Model Portfolio Advisers, mutual funds and ETFs suitable for the individual needs of a client based on client guidelines and other information that they receive from the client's Financial Advisor. However, Placemark personnel may occasionally communicate with clients directly, for example when requested by the client's Financial Advisor or when and to the extent necessary to provide ongoing advisory services to the client or as required by applicable law.

Clients may restrict their accounts from investing in certain securities or industries. Placemark relies on third-party providers, which may in some programs be the Sponsor, for data of the industry classification and socially responsible classifications of individual securities and makes no guarantee as to the accuracy of such third parties' classification. Changes may occur that affect the industry classification of a firm and Placemark will make reasonable efforts to implement those changes in a timely manner. Placemark's implementation of restricted securities must usually be specified in the applicable client agreement or in other documentation clients receive. In general, Placemark may implement restrictions by taking one or more of the following actions: increasing the relative proportions of other securities to replace the restricted securities; increasing cash in the account; and, when agreed to by the Sponsor, selecting alternate securities.

D. Participation in Wrap Fee and other Managed Account Programs

Wrap fee programs are programs that provide investors with a bundle of investment services, which may include investment management, custody of client funds and securities, trade executions of client transactions and performance monitoring and reporting for a single "wrap" fee. A detailed description of services offered under a specific wrap fee program can be obtained from the Sponsor of such program or from the Sponsor's Form ADV (Part 2A, Appendix 1). Under these arrangements, each Sponsor is generally responsible for providing or designating responsibility for such services in exchange for the all-inclusive fee. Placemark may accept overlay portfolio management responsibility from such Sponsors or Primary Advisors, who participate in such programs, on behalf of their clients.

Placemark maintains the UMA Marketplace™ Program, a managed account platform that allows individual registered investment advisers and large institutions to develop customized offerings, including wrap fee programs, by utilizing any of the hundreds of Model Portfolio Advisers, or any of the thousands of mutual funds and ETFs, available on the platform. Placemark will act as overlay portfolio manager to clients whose Primary Advisors or Financial Advisors select from such Model Portfolio Advisers or funds to construct their own UMA program. These UMA programs may be used by such Primary Advisors or Financial Advisors in their own wrap fee program for which they act as Sponsor or as part of any unbundled non-wrap managed account program or service they may offer.

Placemark also provides overlay portfolio management services through Prudential Investments LLC's Diversified Multi-Style Portfolios platform, which includes providing overlay portfolio management services to the following sponsoring financial institutions (listed alphabetically):

- Ameritas Investment Corporation
- AIG Advisor Group:
 - FSC Securities Corporation
 - Royal Alliance Associates, Inc.
 - SagePoint Financial, Inc. (*f/k/a AIG Financial Advisors*)
- Pruco Securities, LLC
- Synovus Securities, Inc. and Synovus Trust Company, N.A. Family Asset Management

Placemark's overlay portfolio management services are also available in UMAs available through TD Ameritrade Institutional's dual contract platform (the "TDAI UMA Program").

In addition, Placemark provides overlay portfolio management services to other U.S. and Canadian banks, broker-dealers, investment advisers and other financial institutions, including the following (listed alphabetically):

- BMO Nesbitt Burns Inc.'s Architect Program
- D.A. Davidson & Co.'s Unified Managed Account Program
- Hilliard Lyons' Integrated Portfolio Solutions advisory program
- Janney Montgomery Scott LLC's Unified Managed Account Program
- J.P. Morgan Securities Inc.'s Bear Stearns Navigator Program
- Oppenheimer Asset Management, Inc.'s Investment Advisory Service Program
- RBC Capital Markets Corp.'s Total Program Unified Managed Account Program
- United Capital Financial Advisers Inc.'s Unified Managed Account Program

The portfolio management services provided by Placemark and the process for providing such services as overlay portfolio manager is the same for wrap fee accounts as they are for Placemark's other accounts.

E. Client Assets

As of December 31, 2010, Placemark managed approximately \$5.76 billion on a discretionary basis. Placemark does not manage any assets on a non-discretionary basis.

Item 5. Fees and Compensation

A. General Description

Placemark's fees for administering, advising, or otherwise servicing investment management programs for Sponsors are individually negotiated with each Sponsor and are traditionally a variable dollar charge to the Sponsor based on aggregate assets in the program. As described above, Sponsors typically charge individual clients a wrap fee for all services, though some programs may be offered with separate agreements and fees for brokerage and custody. The services provided by Placemark and the fees received by Placemark generally differ from Sponsor to Sponsor. Placemark's typical fees for providing overlay portfolio management services range 20 to 35 basis points annually. Placemark's fees for providing limited overlay portfolio management services for "Fund Wrap" accounts (as described in Item 8(A)) vary according to the services provided and generally range from 10 to 15 basis points annually. The typical additional fee for tax overlay management is 10 basis points annually. In addition, Placemark generally receives an additional sleeve-level fee of 10 basis points on the assets managed within the MIS Sleeve in addition to Placemark's normal overlay management fees. The Sponsor or Primary Advisor generally establishes account fees for their programs and in some cases may negotiate fees with certain clients. Placemark generally does not control and may not even be aware of the entire fee paid by clients. Placemark's overlay management services may be available at a lower overall cost in some of these programs compared to other programs. In addition, lower fees for comparable services may be available from other sources.

Clients should consult their account opening documentation or ask their Sponsor or Primary Advisor for specific account fee information.

B. Advisory Fee Deductions

Placemark may deduct fees directly from client assets. In programs which are wrap fee programs, fees payable to Model Portfolio Advisers are typically paid by the Sponsor of such programs and are not paid by clients. In some non-wrap or "unbundled" programs, generally those established with independent investment advisers as Primary Advisors, the fees payable to Placemark, Model Portfolio Adviser, and the Primary Advisor are calculated separately. Placemark generally calculates and charges clients for fees payable by Placemark to Model Portfolio Advisers and debits clients' custodial accounts for the combined Placemark and Model Portfolio Advisers fees. Thus, client's account statements may reflect debits by Placemark to withdraw its own fees as well as separate debits to withdraw the fees payable to the Model Portfolio Advisers or may reflect a single debit for Placemark's plus the Model Portfolio Advisers' fee. In certain instances, Placemark has agreed to pay reduced fees to Model Portfolio Advisers when assets reach certain "breakpoint" levels. In these circumstances, we may not passed on such cost savings to clients. Primary Advisors typically otherwise debit their fees directly. In some cases, Placemark debits the fees payable by clients to Primary Advisors or to third-party research or review vendors used by the Primary Advisors. Any such authority and amounts of such fees will be provided in the applicable account agreement or other account paperwork.

Fees that are based on net assets are generally calculated as of a specific date (usually quarter end), on an average of the first and last day values of the preceding calendar quarter, or on the average of month-end values for the three months in the quarter. These fees are typically based on the aggregate market value of all assets under management within the client's account, including but not limited to cash, cash equivalents, securities and accruals.

Placemark typically calculates fees payable to Model Portfolio Advisers based on target allocation. In other words, it calculates the value of the sleeve for fee debiting purposes by multiplying the target weight that has been assigned for a specific Model Portfolio Adviser by the value of the entire account.

C. Other Fees or Expenses

Clients will incur other fees or expenses in connection with our advisory services that may include:

(1) Model Portfolio Adviser Fees

Placemark's fees, as described in Item 5(A) above, are in addition to fees paid to Model Portfolio Advisers, which generally range from 25 to 35 basis points. In programs which are wrap fee programs, fees payable to Model Portfolio Advisers are typically paid by the Sponsor of such programs and are not paid by clients. In some non-wrap or "unbundled" programs, generally those established with independent investment advisers as Primary Advisors, the fees payable to Placemark, Model Portfolio Adviser, and the Primary Advisor are all separate fees that are incurred by clients.

(2) Transaction Costs

Clients who employ Placemark outside of a wrap fee program may incur transaction charges for trades executed in their accounts. These transaction charges are separate from our fees and will be disclosed by the firm through which the trades are executed. Non-wrap accounts managed by Placemark typically involve a brokerage account with an asset-based fee which, like wrap fee accounts, do not have transaction fees or commission for trades executed at the custodian.

(3) Third-Party Fees

Clients who are not part of a wrap fee program will generally pay other expenses to third parties, which we do not receive any part of, including: custodian fees for holding client assets; and charges imposed directly by a fund (e.g., mutual funds, closed-end funds, ETFs, hedge funds, and real-estate funds). These expenses may include investment advisory, administration, distribution, transfer agent, custodial, legal, audit, and other customary fees related to investment in mutual funds.

D. Prepaid Fees and Refunds

Placemark may charge clients in advance or in arrears of the calendar quarter for which it provides the investment advisory services. The agreement that Placemark has with the client, or its Sponsor or Financial Advisor determines the frequency of when fees are paid and whether fees are paid in arrears or in advance.

In the event that a client terminates an investment advisory agreement effective prior to the provision of such services by Placemark, a refund will be made when a client has been billed “in advance,” has made a full period payment to Placemark and has terminated his or her agreement or a Sponsor’s or Financial Advisor’s agreement with Placemark in writing effective as of a date before the end of the billing period. In such cases, in which investment advisory services have ended prior to the last day in the billing period, the investment advisory fee shall be prorated according to the number of days in the billing period that client assets were managed by Placemark, unless the agreement provides otherwise. Advisory fee refunds are initiated automatically by Placemark and are generally processed through the Sponsor or Custodian. Fee adjustments for contributions, withdrawals and allocation changes vary among Sponsors and Custodians.

E. Compensation for Sale of Securities or Other Investment Products

Neither Placemark nor any of its supervised persons (*i.e.*, partners, managers, employees, or any other person who provides investment advice to a client on Placemark’s behalf), receives compensation for the sale of securities or other investment products. Some of Placemark’s clients or their Primary Advisors or Sponsors may themselves issue securities or have affiliated persons that issue securities or may be financial institutions that advise, or have affiliated persons that advise, funds that we may invest in. These relationships may create an incentive for Placemark or its supervised persons to invest in securities or investment products from these entities in order to retain their business. Further description of these conflicts is provided in Items 10(C) and 10(D) below.

Item 6. Performance-Based Fees and Side-by-Side Management

Neither Placemark nor any of its supervised persons (*i.e.*, partners, managers, employees, or any other person who provides investment advice to a client Placemark’s behalf) charge any performance-based fees (*i.e.*, fees based on a share of capital gains on or capital appreciation of the assets of a client) on client accounts or assets and does not engage in side-by-side management.

Item 7. Types of Clients

Placemark provides investment advice to individuals and institutional clients, such as pension and profit sharing plans, trusts, estates, or charitable organizations and corporations and other businesses.

Any minimum account size requirements will be set by the Sponsors who generally reserve the right to waive account minimums. The Sponsor usually sets the minimum account size at the account level and/or at the “sleeve” level, that is, each asset class or investment strategy provided

by each Model Portfolio Adviser. Account level minimums typically range from \$250,000 to \$1,000,000 per account or per client with more than one account.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis and Investment Strategies

Placemark uses a variety of methods of analysis, sources of information and investment strategies in providing investment advisory services to its clients.

(1) Overlay Management Services

(a) General

Placemark acts as the overlay portfolio manager and provides discretionary investment management services to coordinate the recommendations of one or more Model Portfolio Advisers to manage each client's account. Placemark receives recommendations from Model Portfolio Advisers by investment strategy or style, usually in the form of a model portfolio that includes individual securities and their relative weights (as periodically updated). The model portfolios or other forms of recommendation received from Model Portfolio Advisers serve as the primary source of information for Placemark's investment decisions. Placemark also employs several publicly available and subscription databases from independent sources. Placemark manages client accounts using its proprietary analytical methodologies and, for accounts that have selected tax overlay management, its proprietary tax optimization technology (as described below). Factors used in Placemark's investment process include, among other factors:

- Model Portfolio Advisers' model portfolios and related investment advice
- Risk model data
- Transaction and execution cost estimates
- Client specific data, including
 - Marginal tax rates (federal, state, and local, which may be estimated)
 - Tax lot level cost bases and holding periods received from the client, Sponsor, or custodian
 - Taxable events external to the client's account if and to the extent communicated to Placemark by clients, Sponsors or Financial Advisors
 - Transaction history of the account (with Placemark or earlier if communicated to Placemark)

In some programs, clients may include mutual funds, ETFs and/or other pooled investment vehicles, such as limited partnerships, in the account to represent an investment style or asset class instead of using a Model Portfolio Adviser. The availability of mutual funds, ETFs, and other products in a program is determined by the Sponsor. Placemark does not advise clients or Sponsors or Primary Advisors on the selection of funds or other pooled vehicles. For accounts that include mutual funds, ETFs and/or other pooled vehicles, Placemark's overlay management services typically are limited to buying or selling shares of the mutual funds or ETFs as part of the initial investment in the account, to implement the rebalancing policy for the account and, as necessary, to facilitate the contribution and withdrawal of cash in an account and similar functions. Placemark generally does not otherwise exercise discretion with respect to "sleeves" allocated to mutual funds, ETFs and other pooled vehicles.

(b) Model Portfolio Adviser Selection and Oversight

Each client and/or their Financial Advisor generally chooses the Model Portfolio Adviser(s) from among the Model Portfolio Advisers available in a specific program. Placemark will use the model portfolio and other information received by the Model Portfolio Adviser(s) to manage all or a portion of the client's account. Placemark, not the Model Portfolio Adviser(s), manages the account. The nature of Placemark's legal and advisory relationship with Model Portfolio Advisers varies by program. Generally, a Model Portfolio Adviser is retained to act as an adviser to Placemark and/or the program sponsor. While Placemark generally seeks to manage client accounts in a manner consistent with the recommendations of the Model Portfolio Advisers, the investments and transactions in the portion of a client's allocated to any one Model Portfolio Adviser may vary from the recommendations of the Model Portfolio Adviser. Clients do not typically have any contractual or advisory relationship with any Model Portfolio Adviser and are not intended third-party beneficiaries of the contracts between the Model Portfolio Advisers and Placemark and/or Sponsors. Model Portfolio Advisers do not receive any client-specific or personally identifiable information. In some cases, separately managed account programs may be available from the same Sponsor of a UMA program in which Placemark acts as overlay manager and, with such accounts, clients may have a contractual or advisory relationship with the same Model Portfolio Adviser.

In overlay management programs, Sponsors are usually responsible for performing Model Portfolio Adviser evaluations and selections. In the programs established through the Prudential Financial Diversified Multi-Style Portfolios platform ("Prudential Programs"), Placemark is responsible for approving the Model Portfolio Advisers available to clients. In the Prudential Programs and to the extent that Placemark otherwise evaluates and selects Model Portfolio Advisers, Placemark may rely on the research and consulting services of the Sponsor or other third parties as directed by Sponsors which may utilize different criteria. As a result, Model Portfolio Advisers available or recommended in overlay management programs may differ from the Model Portfolio Advisers available in other programs.

Primary Advisors using the TDAI UMA Program are responsible for the selection of the account allocations and Model Portfolio Advisers used for an account from among the Model Portfolio Advisers and strategies available in the TDAI UMA Program. Model Portfolio Advisers available in the TDAI UMA Program are determined by Capital Market Consultants ("CMC"), which also provides research and due diligence services to Primary Advisors in the TDAI UMA Program. Placemark does not supervise or monitor the CMC, Model Portfolio Advisers, research or due diligence of CMC and CMC does not supervise or monitor Placemark. Placemark and CMC are unaffiliated and do not have a contractual relationship.

In some programs, including the D.A. Davidson & Co. Unified Managed Account Program, Placemark's overlay portfolio management services may be chosen to implement model portfolios of Model Portfolio Advisers selected by Russell Investments for the Russell Unified Managed Accounts product.

(2) Tax Overlay Management Services

In providing tax overlay management services, Placemark considers the anticipated tax consequences of transactions in an account and will evaluate recommendations received from Model Portfolio Advisers or generated by Placemark's proprietary tax overlay management software in the context of such consequences. Placemark attempts to accomplish tax-aware investment management through gain-loss matching, deferring gains until securities reach long-term gain status, and avoiding imprudent wash sale transactions, and, as necessary and based on information received from the client and/or Financial Advisor, incorporating external events into investment decisions. Placemark considers the tax consequences of a transaction as just one of many factors to be weighed against the benefits of the transaction as recommended by the Model Portfolio Advisers. As a result, Placemark may effect these transactions, even though, for example, the transaction may generate a wash sale transaction or short-term taxable gains.

Placemark's ability to improve a client's after-tax return depends on various factors beyond Placemark's control including economic and market conditions, the model portfolios provided by the Model Portfolio Advisers selected by clients, and clients' tax circumstances, including tax mandates imposed by the client, and other financial objectives. Tax overlay management may cause the performance of one or more "sleeves" in an account to vary from the performance of the Model Portfolio Adviser by a larger amount than accounts without tax overlay management. By default, accounts, whether taxable or not, are managed without tax considerations unless the client elects to add the additional tax overlay management feature. If an account contains mutual funds and/or ETFs, Placemark's tax overlay management services are generally applied on the portion of the account managed pursuant to Portfolio Adviser recommendations and not to the sleeves that consist predominantly of mutual funds and/or ETFs. To the extent that any asset, such as a partnership interest or mutual fund, has any form of tax pass-through features, Placemark is generally unaware of those pass through taxes and they are not used by Placemark in providing tax overlay management unless expressly communicated to Placemark as external tax events.

(3) Standard Investment Management

Clients may include in their account a sleeve allocated to Placemark's Market Index Solutions™ strategy, a passive or index sleeve for which Placemark, and not a Model Portfolio Adviser is responsible for determining the contents. Placemark incorporates model portfolio developed for the MIS Sleeve into its overlay management investment process as described above in a way that is similar to how it uses model portfolios provided by Model Portfolio Advisers. Placemark selects the securities and weights in the model portfolio for the MIS Sleeve from among the securities including in the benchmark index by using a sampling methodology which is intended to replicate the risk and return characteristics of the benchmark index. The MIS model portfolio consists of equity securities and may include a limited position in ETFs. Placemark's goal in creating the MIS Sleeve model portfolio is to match the return of the benchmark index without materially over- or under-performing relative to the return of the benchmark index. Not all securities within the benchmark index will be included in the model portfolio used in the MIS Sleeve. Securities included in the model portfolio used in the MIS Sleeve will generally have different weights than those securities have in the benchmark index. The performance of

Placemark's MIS model portfolio may deviate from the performance of the benchmark index. The model portfolio used in the MIS sleeve is developed by Placemark's Investment Committee and is reviewed annually or more frequently as needed to reflect significant changes to the benchmark index. The specific details of how Placemark manages the MIS Sleeve are customized for each Sponsor, including the index used, the investment policy, and fees. Clients should review the materials provided by their Sponsor or financial adviser for specific information.¹

(4) Other Placemark Programs

(a) ETF/Mutual Fund Wrap Accounts

In addition to managing accounts in UMA programs, Placemark manages wrap accounts consisting only of mutual funds and/or ETFs. As indicated above, in comparison to the actively-managed UMA programs described above, Placemark provides a limited number of overlay portfolio management services on the "Fund Wrap" accounts. These services include allocating initial investments in accordance with target asset weightings, rebalancing positions toward target allocations, and processing contributions, withdrawals and other client-driven or externally driven events. Overlay portfolio management services for Fund Wrap accounts do not typically involve tax overlay management, dispersion management, and/or wash sale avoidance.

(b) Single "Sleeve" Accounts

Placemark may accept and manage an account established as part of a group of separate accounts where, for example, the client selects Placemark to manage an entire account using a single model portfolio. In such arrangements, Placemark manages only the assets assigned to its account and does not consider transactions in the other accounts unless specific external events are communicated to Placemark.

(c) Linked Accounts

When one or more accounts is established for a single client or for separate clients if designated by the client, Placemark manages each account independently but may provide limited coordination of trading, such as to monitor and manage potential wash sales.

¹ We note that Placemark generally receives an additional sleeve-level fee of 10 basis points on the assets managed within the MIS Sleeve in addition to Placemark's normal overlay management fees. Placemark's total fee from an account will increase if the portion of the account allocated to the MIS Sleeve is a greater portion of the account. Placemark also generally has discretion to implement a client's target allocation within a UMA, including the timing of rebalancing transactions and the allocation of contributions to and withdrawals from an account. Placemark also offers to Financial Advisor certain account allocation planning tools and services which may result in a recommended allocation that increases the portion of the account allocated to the MIS Sleeve, such as where an account contains significant legacy assets with unrecognized gains that are relative large. Placemark may be deemed to have a conflict of interest to the extent that it has the ability to influence the portion of the account allocated to the MIS Sleeve.

(d) “Dual Discretion” Accounts

Placemark may provide investment advisory services to an account in which it shares discretionary authority (as that term is described in Item 16) with another investment manager. In these circumstances, the other manager typically manages directly the sleeve assigned to it while Placemark (or other dual discretion managers) manage the other sleeves. Placemark communicates with the other investment manager to coordinate activity across the account. Dual discretion sleeves are typically used for sleeves allocated to fixed-income strategies.

(e) Taxable Gain and Loss Harvesting

Placemark generally accepts end of year tax gain and loss harvesting requests subject to certain limitations, such as amount, timing and the potential effect of the potential tax harvesting transactions on the account. The details of Placemark’s end of year tax gain and loss harvesting are agreed to between Placemark and Sponsors. Clients should contact their Financial Advisors for specific information. If accepted by Placemark, transactions executed due to a client’s tax gain or loss harvesting request may affect the future management of the account and may specifically result in Placemark temporarily reducing and delaying or otherwise varying from the implementation of the recommendations of the Model Portfolio Advisers.

(f) Legacy Asset Positions and Deposited Securities

Placemark’s management of “legacy assets” (securities which are deposited into an account) depends primarily on whether a client has selected tax overlay management for the account. If a client has not selected tax overlay management, whether the account is taxable or not, Placemark generally sells legacy asset positions except to the extent that Placemark would otherwise retain such securities pursuant to its normal investment policies. If a client has selected tax overlay management, Placemark will generally liquidate legacy asset positions which have embedded long-term capital gains. For legacy asset positions which have short-term capital gains in tax-managed accounts, Placemark will consider selling the position based on its analysis of the trade off between eliminating a position in excess of a Model Portfolio Adviser’s recommendation and the tax consequences of selling the securities and may retain legacy positions in the account until the securities reach long-term gain status based on this analysis. If a client has imposed a tax mandate on an account, Placemark may retain legacy asset positions indefinitely. Imposing a tax mandate on an account with a significant legacy asset position may increase the overall risk in the account due to the concentration of the legacy assets. Other Model Portfolio Advisers may from time to time recommend buying or selling securities that are also included in the legacy assets of an account. Placemark does not use these recommendations to determine whether or not to retain or sell legacy assets in any account for which such Model Portfolio Advisers have not been selected. Clients who wish to reduce or liquidate a legacy asset position should contact their Financial Advisor or Placemark directly to discuss how a legacy asset position can be reduced or liquidated as well as the tax and investment consequences of doing so.

Clients should be aware that investing in securities involves risk of loss that clients should be prepared to bear.

B. Material Risks of Loss

The material risks for each significant investment strategy or method of analysis employed by Placemark as listed in Item 8(A) are listed below:

Management Risk. We provide tailored investment advice to clients based on our investment skills and analytical abilities. There is no assurance that our investment advice will be successful and subjective decisions made by us may cause a client to incur losses or miss profit opportunities. Placemark's general investment policy is to implement the model portfolio received from the Model Portfolio Advisers as soon and as closely as possible. In doing so, it means that the management risk for each sleeve is primarily based on the underlying Model Portfolio Adviser's investment determinations, not Placemark's. Placemark generally makes decisions of when and how to implement model portfolios with a view to minimizing the risk of deviating from the risk/return profile of the model portfolio. Placemark may deviate from the model portfolio in order to implement account specific mandates such as tax management and restrictions. In doing so, Placemark may introduce additional management risk to each sleeve or account.

The management risk of the Model Portfolio Advisers is primarily controlled through the services of Sponsors and/or Primary Advisors to select and monitor Model Portfolio Advisers available to their clients, other investment options and account features selected for clients. Placemark seeks to control the management risk it introduces, including through the design and oversight of Placemark's proprietary overlay management software and by periodic reviews of tracking error and dispersion by Placemark's investment committee.

Asset Allocation Risk. Asset allocation risk is the risk that a client's assets may be allocated to an asset class or mandate that underperforms other asset classes. For example, fixed-income securities may underperform equities. Placemark, as a general matter, implements the investment strategies of Model Portfolio Advisers that have been selected by a client or its Financial Adviser. Accordingly, asset allocation risk may greatly depend on the allocation among Model Portfolio Advisers and other investment options chosen by such persons. In some cases, Placemark may, on behalf of a client, deviate from the target allocations to Model Portfolio Advisers and investment options due to other mandates on the account such as tax management or restrictions. Such deviations may cause the portfolio to deviate from the risk/return profile of its model portfolio. In such circumstances, Placemark may introduce greater asset allocation risk to a sleeve or an account.

Investment and Market Risk. Our recommendations are subject to investment risk, including the possible loss of the entire principal amount invested. A recommendation to invest in securities and other instruments may also involve market risk, which is the risk that the value of these positions, like other market investments, may move up or down, sometimes rapidly and unpredictably. Recommended investments at any point in time

may be worth less than the original investment, even after taking into account any reinvestment of distributions.

Information Risk. Our advice is based in large part on information received from clients, Model Portfolio Advisers, Financial Advisors, Sponsors and other third parties. In addition, our recommendations are based on model portfolios by Model Portfolio Advisers. Therefore, our advice relies significantly on the accuracy and completeness of the information provided by such persons and the skill and analytical ability of the Model Portfolio Advisers. In addition, Model Portfolio Advisers typically have other discretionary clients for whose accounts they may trade before or at the same time as Placemark and other non-discretionary clients which may be seeking to implement their recommendations at the same time as Placemark. Thus, the extent of any delay introduced by Placemark risks causing greater performance deviation. Placemark controls for this risk by seeking to implement model portfolios as soon as practical and also by internal reviews, including periodic reviews of the timing of model implementation and tracking error by Placemark's investment committee.

We also rely other types of information from third parties, including risk data for individual securities and securities pricing data. Although we believe this information to be accurate and complete, we do not independently verify all information.

C. Recommendations of a Particular Type of Security

Placemark does not primarily recommend any particular type of security.

Item 9. Disciplinary Information

Placemark is required to disclose whether there are legal or disciplinary events that are material to a client's or a prospective client's evaluation of our consulting and investment advisory business or the integrity of our management. In this regard, the SEC has identified several specific legal and disciplinary events, which do not constitute an exhaustive list, of events that are presumed to be material. Registered investment advisers must disclose whether it or a management person (*i.e.*, a person with the power to exercise a controlling influence over the investment adviser's management or policies, or to determine the general investment advice given to clients of the firm) has engaged in any act, omission, aiding, abetting, counseling, commanding, inducing, conspiring with, or failing to supervise another in one of these events for ten years following the date of the event, unless (1) the event was resolved in the investment adviser's or the management person's favor, or was reversed, suspended or vacated, or (2) the investment adviser or management person rebutted the presumption of materiality to determine that the event is not material. The ten-year period is generally is the date that the final order, judgment or decree was entered or the date that any rights of appeal from preliminary orders, judgments or decrees lapsed and may not matter if the event is so serious that, even after such period, it remains material to a client's or a prospective client's evaluation.

Neither Placemark nor its management persons have had any legal or disciplinary events. We have determined that Placemark and its management persons have nothing to disclose regarding this item.

Item 10: Other Financial Industry Activities and Affiliations

A. Broker-Dealer or Registered Representative Registration

Neither Placemark nor any of its management persons (*i.e.*, a person with the power to exercise a controlling influence over Placemark's management or policies, or to determine the general investment advice given to clients of the firm) are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Futures Commission Merchants, Commodity Pool Operator or Commodity Trading Advisor

Neither Placemark nor any of its management persons are registered, or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

C. Material Business Relationships

We are required to list any relationship or arrangement that is material to our investment advisory services or to our clients that we or any of our management persons have with certain identified related persons (*i.e.*, officers, managers, partners, employees and all persons directly or indirectly controlling or controlled by or under common control with us).

(1) Royal Bank of Canada

In this regard, Royal Bank of Canada ("RBC") owns shares of certain series of preferred stock in Placemark Holdings, of which Placemark is a wholly owned subsidiary. RBC may own more 25% or more of one or more such series but does not own 25% or more of the outstanding voting securities of Holdings, and does not otherwise control Holdings or Placemark. Placemark is disclosing this ownership interest as a matter of policy but otherwise disclaims control by RBC. RBC owns or is under common ownership with certain other financial institutions, including RBC Capital Markets Corp., a registered broker-dealer and investment adviser and a Sponsor of a wrap program in which Placemark participates as an overlay manager, RBC Dain Rauscher Inc., a registered broker-dealer and investment adviser and a Sponsor of wrap program in which Placemark participates as an investment manager, and other RBC affiliates that may participate as Model Portfolio Advisers to Placemark in one or more such programs.

In wrap fee programs in which Placemark has agreed to select and/or review the investment managers that act as Model Portfolio Advisers to Placemark, Placemark has determined that it will not recommend to any ERISA client or IRA client that such client select Voyageur or other RBC-affiliated manager to act as a Model Portfolio Adviser to Placemark with respect to such client's account. Although Placemark has reached this determination as a matter of policy, it believes that Placemark is not under the control of RBC for purposes of ERISA and applicable provisions of the Internal Revenue Code, and therefore disclaims such control. Placemark will work with RBC-affiliated managers with respect to an ERISA account if a plan fiduciary or service provider other than Placemark, such as the program Sponsor or named fiduciary of a plan, has selected the participating Model Portfolio Advisers for that ERISA account.

(2) Relationships with Sponsors

(a) Other Services

A significant majority of Placemark's business is derived from the programs identified above. In these programs, Placemark not only provides discretionary management services to clients but also provides a number of operational, technological, and administrative services to the Sponsor or Primary Advisor. In some cases, Placemark may receive separate fees from the Sponsor for the services provided to the Sponsor. For example, Placemark provides to Sponsors and Primary Advisors customized Desktop or "Adviser Workstation" software to administer overlay management programs. The Desktop software may be used in connection with accounts for which Placemark acts as an investment adviser, as well as accounts of a Sponsor or other platform provider for which Placemark does not act as an investment adviser. Placemark typically receives a one-time set up fee as reimbursement for the costs of developing and customizing the Sponsor's UMA program and the Desktop software. The set-up fee varies according to the features provided and on the commitment of resources by Placemark. Placemark may also receive ongoing Desktop license fees which are payable by the financial institution. Sponsors of these programs generally retain the right to remove Placemark as discretionary manager of client accounts. To the extent that these relationships with Sponsors may influence Placemark's ability to make decisions with respect to client accounts, Placemark could be deemed to have a conflict of interest with respect to clients' interests.

(b) Trading Relationships

Placemark works with new and prospective Sponsors to evaluate the potential operational and other costs of running a Program, including the likely trading volume. The majority of Placemark's clients in these Programs pay to the respective Sponsor or designated custodian a wrap or other asset-based fee that covers transaction fees. As a result, a significant and sustained increase in trading volume by Placemark may result in increased costs to the respective Sponsor or designated custodian that are not covered by their fees. Particularly in light of the relationships discussed above, Placemark could be deemed to have a conflict of interest in balancing (i) the desires of Sponsors and designated custodians to reduce their costs through reduced trading volume with (ii) a client's interest in transactions that may result in increased trading volume.

(3) Client Relationships

In addition, some of Placemark's clients or their Primary Advisors or Sponsors may themselves issue securities or have affiliated persons that issue securities. These client relationships may create an incentive for Placemark or its supervised persons to invest in securities or investment products from these entities in order to retain their businesses. Placemark does not consider any existing or potential relationship with any issuer during its investment process.

D. Recommendations of Other Investment Advisers

As noted in Item 4(B) above, we generally provide investment advice based on model portfolios of Model Portfolio Advisers who are selected by the client or a Primary Advisor. In certain instances, however, Placemark may itself recommend, select and/or review the investment managers that act as Model Portfolio Advisers to Placemark. We do not receive any compensation from such investment managers or their affiliated persons, because of any recommendation or selection. Some of Placemark's clients are financial services organizations which may be related to these Model Portfolio Advisers that we may recommend, select and/or review. Although we do not recommend or select investment managers based on any services that they or any affiliated person of such investment manager have engaged us to perform, there may be an incentive for us to recommend certain investment managers to retain business from their affiliated persons.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. General Description of Our Code of Ethics

Placemark has a fiduciary duty to each and every client of the firm. The policy of Placemark is to protect the interests of each of the firm's clients and to place the client's interests first and foremost in each and every situation. In meeting our duty, we have established and maintain a Code of Ethics which must be reviewed and understood by all employees of the firm. Written acknowledgement of each employee's understanding of and compliance with the Code of Ethics is obtained at the start of employment and once a year thereafter.

Placemark's policy allows employees to maintain personal securities accounts provided any such personal investing by the employee (for "access persons" – generally, those persons who have access to non-public information regarding client purchase and sales transactions, or any immediate family or household member of the access person) is consistent with the firm's fiduciary duty to our clients. The employee must report all such accounts to the Chief Compliance Officer and provide copies of all statements and confirms or reports of transactions on a regular basis to the firm's Chief Compliance Officer or the employee's supervisor.

Access persons are required to have their trades (as well as those of certain related parties) cleared by the Compliance department prior to placement of the order and have five days in which to transact the cleared activity. Requested trades are processed through proprietary or third-party pre-clearance software which is designed to ensure that trade recommendations, as received by Placemark from the Model Portfolio Advisers for the various strategies, are not acted on by any employee for their own gain. There are some securities trades for which pre-clearance is not required (for example, U.S Government issues). Employees may also turn the management of their accounts over to a discretionary advisor or participate in certain automatic investment plans and trades executed by that advisor or pursuant to the plan without the request or foreknowledge of the employee will not require pre-approval.

The Code of Ethics also reiterates the prohibition of insider trading by employees and addresses issues regarding gifts and contributions to and from employees.

Employees are required to provide information to Placemark regarding any outside business activities, including participating as a member of the board of a publicly traded company, that might conflict with their responsibilities to Placemark clients.

For violations of the Code of Ethics, Placemark retains the right to the following sanctions, as it deems appropriate, including but not limited to, verbal reprimand, a letter of censure or suspension, termination of the employment of the violator, or a request for disgorgement of any profits received from a securities transaction effected in violation of this Code of Ethics. Any sanctions imposed will be reported to the Board of Directors.

For more complete information regarding the Code of Ethics, please contact us by writing to us at Placemark Investments, Inc., Attn: Compliance Office, 16633 Dallas Parkway, Suite 700,

Addison, TX 75001, by telephone by calling 800-266-7615 or by email to compliance@placemark.com.

B. Recommendations in which Placemark may have a Material Financial Interest

Placemark, its employees, or related persons may have securities accounts with the same investments recommended to clients who participate in the Placemark programs. In some cases Placemark, its employees, or related persons may also be participants in one or many of the Placemark programs causing the same or similar security selections and recommendations to occur.

As noted in Item 11(A), Placemark has adopted policies to protect the interests of its clients including the prohibition of advisory personnel from investment in initial public offerings, pre-clearance of participation in private placement offerings, and pre-clearance of personal trades for employees with access to recommendations received from Model Portfolio Advisers or generated by Placemark.² Each employee's personal trading accounts are received on a quarterly basis and periodically reviewed to ensure adherence to Placemark's policies. Transactions on behalf of clients will take precedence over transactions benefiting Placemark, its officers, employees, or any employee related accounts.

C. Recommendations of the Same Securities Invested in by Placemark

See Items 11(A) and (B).

D. Recommendations of Securities to Clients at the Same Time that Placemark Transacts

See Items 11(A) and (B).

Item 12. Brokerage Practice

A. Selecting Brokerage Firms

(1) Research and Other Soft Dollar Benefits

Placemark generally has the authority to determine the broker-dealer to be used in any securities transaction and the commission rate or price to be paid to such broker-dealer. We consider the full range and quality of a broker-dealer's services when selecting a broker-dealer, including among other factors, price, yield or spread, execution capability; financial condition; responsiveness and willingness to commit capital; integrity, including the ability to maintain confidentiality; and technology infrastructure and operation capabilities. These factors will have differing levels of importance depending on the circumstance of a particular trade.

We are obligated to seek best execution of client transactions under the circumstances of a

² This excludes certain types of securities including U.S. Government issues, open-end investment company shares including money market funds, and bank certificate of deposits.

particular transaction. This means that we must effect securities transactions in a manner so that your total cost or proceeds or long-term interest in each transaction is most favorable under the circumstances.

We do not receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions. For certain accounts Placemark has established electronic interfaces with certain brokerage and custodial firms for trading, account data reconciliation, account administration, and reporting. Placemark also receives broker-related products and services from broker-dealers, such as order management software. Such products services are generally of a relatively insignificant value and are not provided in return the amount of trades directed to the broker-dealer. The trading and custodial expenses incurred by the client are set forth in the separate agreement executed by the client and the broker or custodian. These charges may be more or less than those of other brokers providing similar services.

(2) Brokerage for Client Referrals

Placemark does not consider, in selecting or recommending broker-dealers, whether it or a related person (*i.e.*, officers, managers, partners, employees and all persons directly or indirectly controlling or controlled by or under common control with us) receives referrals from a broker-dealer or third-party in determining brokerage.

(3) Directed Brokerage

We permit clients to direct brokerage transactions to certain broker-dealers. Directed brokerage and wrap fee and other asset-based brokerage fee arrangements may limit our ability to negotiate fees or commission rates and achieve best execution. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

For some clients who pay a wrap or asset-based brokerage fee, Placemark has authority to select other broker-dealers to execute a trade. Although Placemark is aware of the possibility that better execution may be available at another broker-dealer, because executing at another broker-dealer would likely incur commissions or other trading costs and could delay the timely receipt of updated transaction and account information necessary for Placemark to process accounts within its investment system on a timely basis, Placemark generally directs transactions to the broker-dealer program Sponsor or the broker-dealer chosen by clients based on the lack of commissions for such trades and because Placemark has developed comprehensive operational and technology linkages with these broker-dealers to facilitate its daily investment processes. In general, Placemark would look for a broker-dealer whose execution quality is so much greater than the custodian that the difference in price is likely to be greater than the amount of the commission charged by such broker-dealer.

B. Aggregation/Allocation

(1) Order Aggregation

Placemark generally aggregates client orders by executing broker, usually the broker-dealer Sponsor of the program, and allocates filled orders among accounts of that Sponsor. Partially filled orders are generally allocated ratably among accounts. If an order is partially filled through a Sponsor, only accounts of that Sponsor will receive allocations from that partial fill.

(2) Allocation of Investment Opportunities

(a) Placemark's Allocation of Investment Opportunities

Placemark's policy is to allocate investment opportunities equitably among its clients. Placemark seeks to ensure the allocation of significant recommendations from Model Portfolio Advisers among its clients by rotating its submission of the resulting trades for the various programs. This rotation is used where significant assets are managed by Placemark using a model portfolio for the same investment strategy in two or more programs and where the update will likely result in a significant dollar amount of trades. Placemark rotates these trades among the executing broker for the programs and the rotation list is indexed daily. Placemark's ability to implement trade rotation is dependent on the accounts for each eligible program being in good order when trading is to begin. Accounts which are not ready to trade or which require additional reviews are not included in the rotation but will be traded as soon as practicable independent of the rotation. Model updates which are not rotated are implemented and traded independently of each other.

(b) Model Portfolio Advisers' Allocation of Model Updates

Model Portfolio Providers generally include Placemark in some form of rotation or other means of allocating investment opportunities to their clients. Some Model Portfolio Managers may have established rotation practices to provide model portfolio updates to Placemark and other nondiscretionary clients after making the corresponding trading for their discretionary accounts. This may result in Placemark receiving updates for its clients' accounts after the Model Portfolio Advisers has placed trades in other separately managed accounts following the same or similar investment strategies. Clients seeking more information about a particular Model Portfolio Adviser's rotation practice should contact their Financial Advisor or Primary Advisor.

Item 13. Review of Accounts

A. Periodic Review of Client Accounts or Financial Plans

Placemark's ongoing review of accounts typically begins with a daily review of accounts by Placemark's portfolio management team using its proprietary investment technology to identify accounts for which Placemark may need to effect trades or otherwise take action. The triggering events for identifying these accounts primarily consist of pending changes to investment objectives of accounts (such as allocations or restrictions), events occurring within the account such as cash flows, and changes to model portfolios.

Placemark's portfolio managers review accounts based on account review guidelines established by Placemark's portfolio management team and by consulting with senior team members. In general, portfolio managers will review accounts for consistency with investment objectives, model portfolios, investment policies, restrictions, tax mandates and other constraints. Accounts are reviewed on both a pre- and anticipated post-trade basis and may be reviewed individually or with other accounts with similar objectives, policies, constraints or which use the same model portfolio. Portfolio Managers generally perform account reviews with a view to implementing the objectives, policies, restrictions and tax and other constraints while minimize the risk of variance to the model portfolios.

Placemark generally assigns to a specific portfolio manager responsibility for one or more programs by Sponsor or Primary Advisor. The number of accounts and/or programs assigned to a portfolio manager is determined by the nature of the account, type of service required, and the existing work load. Placemark occasionally reassigns and/or rotates the portfolio manager assigned to particular program, based on experience, background, qualifications and familiarity with specific features of the various programs.

B. Non-Periodic Review of Client Accounts or Financial Plans

Placemark may review client accounts or financial plans outside of its daily account processing, based on changing economic or market conditions, revised client investment objectives, changes to the Model Portfolio Advisers or account features selected for an account or when an account shows a particularly high "tracking error" or deviation from the model portfolios used to manage the account.

C. Regular Reports to Clients

The nature and frequency of regular reports to clients in Overlay Management Programs are determined by the Sponsor or Primary Advisor. Placemark supplies data and/or performance return calculations to some Sponsors and Primary Advisors for client reporting.

Item 14. Client Referrals and Other Compensation

A. Third-Party Payments

Placemark does not have a relationship with any entity or person (not a client) that provides an economic benefit to Placemark for providing investment advice or other advisory services to our clients (e.g., sales awards or other prizes).

B. Retention of Solicitors

Placemark does not directly compensate any person for any client referral. Placemark, however, charges Sponsors and Primary Advisors a fee intended to partially offset Placemark's expenses incurred in developing and implementing a new program. This fee is subject to negotiation and may be reduced based on the amount of implementation effort involved and the anticipated or ultimate success of the program. To the extent that such arrangements, including any reductions based on success of a program, offer Sponsors and Primary Advisors an incentive to refer clients to the program, they may be deemed to be indirect compensation for client referrals.

Similarly, Placemark may reimburse Primary Advisors for performance reporting services. These costs could influence a Primary Advisor to select Placemark as overlay portfolio manager because such performance reporting costs would otherwise be incurred by the Primary Advisors. To the extent that such arrangements offer Primary Advisors an incentive to refer clients to the program, they may be deemed to be indirect compensation for client referrals.

In addition, Placemark markets and promotes its services primarily by means of sales activities directed at clients' Financial Advisors employed by or associated with Program Sponsors Primary Advisors. Placemark's own sales representatives, generally called "Regional Consultants," regularly communicate and meet with Financial Advisors regarding opening new client accounts and servicing existing accounts. Placemark pays its Regional Consultants, in addition to a salary, a commission that is based on the initial asset value of accounts opened during each calendar quarter. Although Placemark's Regional Consultants as a matter of policy do not generally make recommendations to or for clients, in any situation in which they make any such recommendations to clients or Financial Advisors, they may be deemed to have a conflict of interest due to the financial incentive they have to open accounts.

Item 15. Custody

Placemark does not ordinarily have custody of any client assets. For certain accounts Placemark may instruct the qualified custodian (e.g., a bank) to deduct fees on its behalf (as further described in Item 5(B) and may therefore be deemed to have custody. For these accounts, the qualified custodian will send an account statement, at least quarterly, to each client identifying the amount of funds and of each security in the account at the end of the period and setting forth all transactions in the account during that period. Clients may also receive account statements from Placemark, the Sponsor or Primary Advisor. We urge clients to review these statements. If clients receive both statements from a qualified custodian and Placemark, a Sponsor or Primary Advisor, we urge such clients to compare the account statements with the ones received from us.

In addition, Placemark may for certain accounts deduct fees payable to Primary Advisors or other parties as described in Item 5(B). These accounts and fee amounts are subject to an annual surprise audit as required by applicable SEC regulations.

Item 16. Investment Discretion

We generally act as agent and attorney-in-fact with full power and authority to act on behalf of your account and therefore have discretionary authority over your account. This means that we have the authority to determine, without obtaining specific consent, the securities to be bought or sold, the amount of securities to be bought or sold, the broker or dealer to be used and the spread or commission rates paid to broker-dealers.

Item 17. Voting Client Securities

A. Authority to Vote Client Securities

Placemark by default accepts the authority to vote client securities and has adopted policies and procedures to vote such securities. Each proxy issue for each organization will warrant individual consideration and this summary is not an exhaustive and inflexible mandate for proxy voting but serves as guidelines on its general voting philosophy. Placemark will assess each proposal individually to determine the probable effect on shareholder value and the impact on the rights of shareholders, and in accordance with its fiduciary duty, Placemark will vote in the manner that most enhances the long-term value of investments. Placemark recognizes that one of its most important responsibilities is the responsibility to ensure that votes are cast in an appropriate manner. Placemark considers the right to vote as one of its most effective tools for promoting good corporate governance.

Specifically, Placemark has established its own proxy voting guidelines as summarized below. Additionally, some Model Portfolio Adviser(s) may make specific voting recommendations or recommendations with respect to corporate actions to Placemark and Placemark may also seek consultation from Model Portfolio Advisers on a particular vote or action. Placemark does not take action with respect to or advise on legal actions, such as class action lawsuits or bankruptcies, with respect to individual securities. Placemark's ability to vote proxies on behalf of clients is contingent on Placemark's timely receipt of the necessary client proxy voting authorization and related documentation from Sponsors and/or clients.

Regarding issues involving the Board of Directors, Placemark prefers the annual election of all Directors. The firm will generally not support proposals that provide for staggered terms for board members. And, generally does support resolutions that seek the separation of the roles of board chair and CEO. Ordinarily, Placemark will not vote against a slate of Directors simply because it fails to meet the independence standard or because the board lacks a properly constituted nominating committee or because the size of the Board is outside our guidelines. The firm will do so, however, if corporate performance, over a reasonable period of time, is unsatisfactory. In addition, Placemark will not generally support a management proposal

regarding the removal of Directors if the proposal would allow for the removal of Directors without cause.

Placemark feels that to maximize a portfolio's economic value to the client, non-financial considerations should not take precedence over risk and return considerations. Nevertheless, the firm believes that careful consideration of issues of social responsibility by companies and their boards will enhance long-term shareholder value. Placemark encourages companies to develop policies and practices to address issues of social responsibility that are relevant to their businesses.

Compensation and incentives to management and Directors should be consistent with the long-term interests of the shareholders of the company. Salaries should reflect the requirements of the marketplace, with personnel paid the amount necessary to attract and retain the skills and abilities required. All perquisites should reflect a justifiable corporate need and should be able to stand on their own merits under a cost-benefit analysis. Incentive compensation plans must have the overriding purpose of motivating and retaining individuals and must not be unduly generous. Such plans should be closely related to individual and corporate performance. Placemark uses specific guidelines for reviewing stock option and other compensation plans based on these stated goals for compensation plans. For example, while the firm votes on plans on a case-by-case basis, it will not generally vote for a stock option plan that is 100% vested when granted.

Placemark's guidelines in voting on other common issues follow. In voting issues regarding the stock itself, the firm will generally vote for management proposals to approve a stock repurchase program or to approve a stock split or reverse stock split. With regard to mergers, restructuring, spin-offs, buy-outs, reincorporating, takeover defense and related actions, Placemark must consider each case according to its unique circumstances and consequences. The firm will evaluate shareholder proposals on a case-by-case basis. It will generally not support proposals that place arbitrary or artificial constraints on the company, its board, or management. Placemark will review stakeholder proposals on a case-by-case basis. The firm will generally not support proposals that seek to alter the responsibility of the Directors to supervise the management of the business of the corporation and that provide a wide range of peripheral considerations the Directors must take into account in evaluating a business proposal.

As is the case with any investment manager, conflicts may arise when what is best for the long-term interests of shareholders is not consistent with the desire to retain an existing client, to curry favor with a prospect, or to further the manager's own self-interest. To date, Placemark has not experienced such conflicts. If a conflict of interest arises, our Investment Operations department will notify our Compliance Office as well as our Executive Team.

Records on voting will be maintained by Placemark and provided to clients at their request. To receive information on Placemark's proxy voting, please contact us by writing to us at Placemark Investments, Inc., Attn: Compliance Office, 16633 Dallas Parkway, Suite 700, Addison, TX 75001, by telephone by calling 800-266-7615 or by email to compliance@placemark.com

B. No Authority to Vote Client Securities

Clients may retain the ability to vote proxies for their own accounts. In such instances, Placemark will not have the authority to vote such clients' securities, and clients will receive their proxies or other solicitations directly from their custodian or transfer agent. Clients may contact Placemark with any questions about a particular solicitation 800-266-7615 or by e-mail at compliance@placemark.com.

Item 18. Financial Information

A. Prepayments

Placemark does not require or solicit prepayment six months or more in advance. Therefore, we have not included a balance sheet for the most recent fiscal year pursuant to this requirement.

B. Financial Conditions Impairing

Placemark is not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. If Placemark does become aware of any such financial condition, this brochure will be updated and clients will be notified.

C. Bankruptcy Petitions

Placemark has not been the subject of a bankruptcy petition at any time during the past ten years.