

PART II (A) of FORM ADV: FIRM BROCHURE

Item 1: Cover Page

FIRM BROCHURE

Name/Address/Telephone of Investment Adviser: DeMarche Associates, Inc.
6320 Lamar Avenue
Overland Park, Ks. 66202
(913) 384-4994

SEC File Number: 801-11574

Web Site: www.demarche.com

Contact: Adam Strumpf
Chief Compliance Officer
(913) 384-4994
astrumpf@demarche.com

Date of Brochure: March 30, 2012

NOTE:

This brochure provides information about the qualifications and business practices of DeMarche Associates, Inc. If you have any questions about the content of this Brochure, please contact us at (913) 384-4994, or via email at astrumpf@demarche.com.

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 DeMarche Associates, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

DeMarche Associates, Inc. is a registered investment adviser; however, that registration does not imply a certain level of skill or training, per SEC rules.

Item 2: Material Changes

There are no material changes since the last amendment to the brochure on 06/03/2011.

.

PART II (A) of FORM ADV: FIRM BROCHURE

Item 3: Table of Contents

TABLE OF CONTENTS

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
Item 1	Cover Page	1
Item 2	Material Changes	1
Item 3	Table of Contents	2
Item 4	Advisory Business	3
Item 5	Fees & Compensation	4
Item 6	Performance-Based Fees	11
Item 7	Types of Clients	12
Item 8	Methods of Analysis, Investment Strategies and Risks	12
Item 9	Disciplinary Information	13
Item 10	Other Financial Industry Activities or Affiliations	13
Item 11	Conflicts of Interest and Code of Ethics	14
Item 12	Brokerage Practices	15
Item 13	Review of Accounts	16
Item 14	Client Referrals and Other Compensation	16
Item 15	Custody	16
Item 16	Investment Discretion	17
Item 17	Voting Client Securities	17
Item 18	Financial Information	17

PART II (A) of FORM ADV: FIRM BROCHURE

Item 4: Advisory Business

Advisory Business & Principal Owners

DeMarche Associates, Inc. (DeMarche) is an independently owned investment research and consulting firm and has been in business since 1974. Robert F. Marchesi currently owns a majority interest in DeMarche. Thomas Woolwine, William Miskell and Timothy Marchesi own a minority interest.

Types of Advisory Services

The primary business of DeMarche Associates is to furnish investment advice to institutional investors through consultations. DeMarche tailors its advisory service to the individual needs of its clients. Clients may impose restrictions on investing in certain securities or types of securities.

DeMarche does not participate in wrap fee programs. DeMarche does not make, and is not responsible for, recommendations concerning individual securities, and does not monitor brokerage activity or monitor individual holdings unless client has specifically contracted for such services.

As of December 31, 2011, DeMarche provided investment consulting services to clients representing \$23,926,896 (in thousands) in assets on a non-discretionary basis. No client assets are managed on a discretionary basis. DeMarche offers a discretionary service for trustee-directed plans through its affiliate, Discretionary Management Services, LLC (DMS).

The primary advisory consulting services provided by DeMarche are as follows (a complete description of DeMarche services including fees is listed in Item 5 “Fees and Compensation”):

Investment Consulting Services

- ***Asset-Related Services***
 - Asset Allocation/Liability/Spending Policy Studies
 - Investment Policy/Investment Guidelines Reviews
 - Manager Mix/Manager Guidelines Reviews
 - Equity/Fixed Income Manager Style Mix Analysis
 - Defined Contribution Alternatives Analysis
 - Defined Contribution Plan Structure Review
- ***Manager-Related Services***
 - Manager Search
 - Manager Databases
 - Manager Universes
 - Defined Contribution Investment Alternatives Search
- ***Performance-Related Services***
 - Performance Measurement
 - Defined Contribution Performance Evaluation
 - Manager Evaluation (Hire/Fire)
 - Normal Portfolios
 - Custom Style Indexes
 - Factor Model-based Evaluation
 - Performance Attribution

PART II (A) of FORM ADV: FIRM BROCHURE

- ***Operations-Related Services***
 - Bundled Provider Search
 - Master Trustee/Custodian Search
 - Transition Service
 - Audit Custodial Transactions
 - Audit Brokerage Costs and Managers' Use of Commissions

Corporate Finance Consulting Services

Through DeMarche's corporate financial consulting service, investment research capabilities and expertise are available to chief financial officers, treasurers, strategic planners and other executives who shape corporate finance policy. Services include factor model analysis, cost of equity capital studies, capital structure optimization and strategic planning.

Investor Relations Consulting

DeMarche offers investor relations professionals access to leading edge research and proprietary analytical tools. These instruments identify key value drivers and unique company characteristics having the greatest impact on stock performance.

Item 5: Fees and Compensation

DeMarche offers all of its general services, both individually or as part of retainer agreements. DeMarche also accepts performance incentive retainer relationships and subscription fees. DeMarche does not receive direct compensation in connection with the purchase or sale of a security, such as a sales load. Clients are not required to pay for advisory services in advance. DeMarche charges for the specific services it performs and there is no "start-up" fee associated with its services. Clients may incur other fees, such as investment management or custodial fees, in connection with implementing DeMarche's investment advice. Fees for services are not deducted from client assets.

Services may be purchased (i) from DeMarche with cash or (ii) from Kansas City Brokerage, Inc. (KCB), a DeMarche subsidiary, with commissions generated from brokerage transactions directed through KCB. In return, KCB will provide to the client investment advisory services purchased from its parent company, DeMarche.

Clients electing to pay DeMarche with cash (#i. above) are invoiced by DeMarche generally upon the provision of services and such invoices are due within 30 days. Cash paid to DeMarche in advance is refundable to the client upon termination of advisory contract. Clients electing to pay KCB with directed brokerage soft dollars (#ii. above) are invoiced by KCB upon the provision of services and such invoices are due within 180 days. Clients are billed by KCB for services at the rate of two soft dollars (gross brokerage commissions cleared through KCB's clearing arrangement) per quoted cash fee dollar. For example, a client would have the option of paying \$10,000 in cash to DeMarche or directing \$20,000 soft dollars to KCB. Clients with outstanding soft dollar credit balances are sent quarterly soft dollar statements. Soft dollars directed to KCB in advance are not refundable to client upon termination of an advisory contract. Any prepaid balances will be held "on account" for the client for three years and may be applied as a credit toward other advisory products and services. After three years, any

PART II (A) of FORM ADV: FIRM BROCHURE

remaining prepaid balance will be forfeited to KCB. Clients, who have elected to pay KCB with Soft Dollars and later choose to pay some or all of the Soft Dollar balance with cash, are credited at a rate of two Soft Dollars per cash dollar paid.

All services may be terminated by either party upon written notice provided such terminating party fulfills all of its obligations under any agreement through the date of such termination.

Below is a price list for DeMarche basic services:

- Asset Allocation Study\$20,000
- Asset Mix Update10,000
- Manager Search - traditional.....20,000
- Manager Search - alternative25,000
- Quarterly Performance Measurement – per mgr/per year5,000
- Quarterly Fund Diversification Monitor- per mgr/per year6,500
- General Consulting - per year10,000
- Custodian Search 35,000 (up to 5 banks)

Other DeMarche services and fees are as follows (services listed alphabetically):

Commission Recapture Programs Search

Commission recapture is a practice of receiving a portion of the brokerage commissions charged on securities transactions back into a fund. While not appropriate for all funds, a properly structured commission recapture program can reduce a fund's operating costs. DeMarche can assist in establishing a commission recapture program by helping clients identify and evaluate commission recapture rates and develop program policies and guidelines for the fund.

The fee to conduct a broker search and establish a commission recapture program starts at \$15,000.

Common Stock Rating Service

DeMarche's Common Stock Rating Service makes information about various stocks available to users on its web site free of charge. Users are able to access DeMarche's Growth/Value, Quality, Expected Growth, Expected Return and Liquidity rating for selected stocks in Applicant's database. The service is intended as a stock classification service, and is not intended as a recommendation to buy or sell securities. DeMarche also offers Premium Stock Rating Service subscriptions for a fee for more detailed levels of service to investment managers, institutional investors and individuals. This may include access to various key financial characteristics of securities in DeMarche's database, access to numerous data charts, and access to DeMarche's "buy/hold/sell" categorizations. Although these levels of service may include detailed assessments of the expected return of various stocks, the categorizations are not intended as recommendations to buy or sell securities. Fees for Premium Stock Rating Service subscriptions vary depending on level of service.

PART II (A) of FORM ADV: FIRM BROCHURE

DC Analytics

DC Analytics is a quarterly performance analysis for defined contribution retirement plans. Performance is measured and compared to standard industry benchmarks and appropriate fund universes. In addition, the report shows how each option's risk/return profile compares to other funds in its style group. Further, this analysis provides a "big picture" review that illustrates unintended gaps and overlaps that limit the ability of plan participants to diversify their portfolios.

The fee for DC Analytics is based on the number of investment options analyzed and the frequency of reports. The fee for quarterly reporting starts at \$20,000 per year.

DC Navigator

DC Navigator is a comprehensive program to build, monitor and enhance DC plans while providing some of the tools that plan sponsors need to help satisfy their fiduciary responsibilities. This ongoing service encompasses investment policy review, manager interviews, performance evaluation, plan feature benchmarking, fee analysis and an employee communications review. Fees for this service start at \$42,500.

Defined Contribution Investment Policy Development

DeMarche works with plan sponsors to develop an investment policy that states sponsor's objectives, outlines plan structure, and establishes the criteria for monitoring and evaluating performance. This document also spells out the responsibilities of those involved in implementing the plan, sets procedures for selecting options and managers, establishes investment guidelines and communicates sponsors philosophy and expectations to providers and managers. Fees for this service range from \$5,000 through \$15,000.

Defined Contribution Bundled Provider Search

DeMarche researches defined contribution providers on an ongoing basis in order to identify companies that are best suited to serve client's needs. DeMarche has developed a comprehensive Request for Proposal (RFP) to collect information needed to identify the best qualified providers. The RFP is customized to meet client needs, with responses compiled, evaluated, and summarized for client's review. DeMarche also participates in the finalist interviews and provides the selection committee with input and advice. Fees for this service start at \$40,000.

DC Fund Analysis

DeMarche's Investment Funds Analysis service was established to evaluate mutual funds and assist fund sponsors who provide a number of investment options to employees through 401(k) plans. In a Basic Review, DeMarche reviews quantitative data directly from external databases and the investment managers, conducts a subjective review of the information and separates funds into "competitive" and "non-competitive."

PART II (A) of FORM ADV: FIRM BROCHURE

Also available at the client's request, competitively ranked funds may be examined more closely by DeMarche's Manager Review Committee (MARC) in a Complete Review. These funds are eligible for consideration for DeMarche's "Approved" designation, DeMarche's highest rating.

Fees for a Basic Review are \$2,000 per fund with a minimum of \$10,000. Fees for a Complete Review are \$5,000 per fund with a minimum of \$25,000. Minimums are waived for ongoing clients.

DC Fund Search

DeMarche's Fund Search process identifies highly qualified investment funds whose investment styles (based on historical characteristics), unique characteristics, and expected performance fit with the specific needs of an institutional investor. Applicant conducts searches by drawing from its database of funds and by researching funds outside the database when unique skills or styles are needed or requested by a client.

Fees for conducting a Fund Search start at \$20,000 per search.

Factor Model Analysis

DeMarche's Factor Model Analysis identifies the economic, market and company variables or factors that have a meaningful impact on the performance of a publicly traded stock. The Analysis is used by corporations for a broad range of investor relations applications and for financial decision-making.

Fees for a Factor Model Analysis range from \$2,500 to \$20,000.

Fund Diversification Monitor (FDM)

The Fund Diversification Monitor is DeMarche's comprehensive performance evaluation report. The FDM provides complete performance diagnostics and attribution analysis. This analysis identifies how a manager's decisions increased or decreased the value of the portfolio. The report for an equity manager analyzes the manager's use of four investment skills: sector diversification, security selection, security concentration and market timing. The report for a bond manager analyzes the manager's use of three investment skills: sector diversification, security selection and duration management.

The FDM report is available annually, semi-annually and quarterly and can be used to evaluate U.S. and international equity, U.S. fixed income and balanced managers. Fees for the FDM report are \$1,500 per year per manager in addition to the fee for the Performance Appraisal Report (PAR) which starts at \$5,000.

Fund Transaction Audit

The Fund Transaction Audit is a quarterly transaction-by-transaction audit of all activity in a portfolio to identify discrepancies that may affect a fund's overall performance. In addition to the strict accounting of numbers to make sure interest and dividends are credited properly, the audit analyzes the timeliness and cost of transactions. Fees for the

PART II (A) of FORM ADV: FIRM BROCHURE

quarterly Fund Transaction Audit range from \$8,500 to \$14,000 per year depending on the number of portfolios being audited at the same time.

General Consulting Services

DeMarche provides various levels of general consulting services starting at \$10,000 annually. The primary business of DeMarche Associates is to furnish investment advice to institutional investors through consultations. DeMarche tailors its advisory service to the individual needs of its clients. DeMarche provides objective, expert interpretation of complex investment data and workable recommendations. Our research-based approach, backed by our investment experience, provides tangible benefits that enable a fund to meet its goals.

Integrated Finance and Investment Strategies

This approach to asset allocation enables firms to integrate their corporate finance policy with their employee retirement program strategy. Using Integrated Finance and Investment Strategies (IFIS), companies can manage their pension funds as competitive weapons that maximize the trade-off between the bottom line and optimal returns and predictable contributions. The result is better control over profits, cash flow, corporate risk and stock value. The fee for this service starts at \$50,000.

Investment Objectives and Asset Allocation

This service helps institutional investors identify the asset mix that has the greatest probability of earning a target rate of return at an acceptable level of risk over time. DeMarche works with clients who want only a review of their existing guidelines and asset mix and with clients who require a complete investment analysis that results in establishing an overall investment program and structure that matches investable assets to long-term liabilities. Fees range from \$20,000 to \$75,000 depending on the level of service required by the client.

Manager Optimization

A Manager Optimization study identifies the appropriate mix and weighting of investment management styles by asset class to create an overall management structure to achieve a specified investment objective. The fee for a Manager Optimization study starts at \$15,000.

Manager Search

DeMarche's Manager Search process identifies highly qualified investment managers whose investment styles (based on historical characteristics), unique characteristics and expected performance fit with the specific needs of institutional investors. DeMarche conducts searches by drawing from its database of qualified managers and by researching other managers outside the database when unique skills are needed or requested by a client.

PART II (A) of FORM ADV: FIRM BROCHURE

DeMarche maintains data and conducts searches for domestic, international and global equity and fixed income managers, real estate managers, venture capital managers and tactical asset allocation managers. DeMarche will also conduct searches for managers who employ special investment strategies. Some investment managers included in manager searches may buy products and services from DeMarche. Fees for conducting manager searches start at \$20,000.

Market Indicator

The Market Indicator is a monthly analysis and forecast of the U.S. equity market based on DeMarche's proprietary research. The Market Indicator identifies the position of the equity market each month in relation to a full market cycle and anticipates the future direction of the market based on DeMarche's four-phase market cycle model. The Market Indicator is used by institutional investors for making tactical rebalancing and cash flow decisions. Clients receive a monthly equity market analysis and consultation with one of DeMarche's consultants. Fees for the Market Indicator range from \$5,000 to \$25,000 annually.

Manager Style Indicator

The Manager Style Indicator is a quarterly analysis used to identify how different styles of investment management can be expected to perform during different periods within an equity market cycle. This product is based on DeMarche's four-phase market cycle

model and other research and is used by institutional investors to evaluate manager performance, to optimize manager mix, and to make tactical and cash flow decisions.

Available as an option to clients who subscribe to the Manager Style Indicator, DeMarche will conduct a one-time analysis of each of the client's investment managers to determine their investment styles, performance rankings relative to other managers by market phase and an analysis of each manager's performance factors.

Fees for the quarterly Manager Style Indicator range from \$10,000 to \$50,000 annually. The fee for optimal Manager Analysis ranges from \$1,000 to \$2,000 per manager.

Master Trustee/Custodian Search

DeMarche's Master Trustee/Custodian Search is the process of identifying a highly qualified trustee or custodial bank whose custodial capabilities, procedures and policies and ancillary services meet the unique needs of a specific client. DeMarche conducts searches by drawing from its database of qualified trustees and by researching other trustees not in the database when unique services are needed and at the direction of a client.

DeMarche maintains data and conducts searches for trustees with domestic and global custodial capabilities. Other search criteria include securities lending, on-line services, cash management expertise, recordkeeping and benefit paying capabilities.

PART II (A) of FORM ADV: FIRM BROCHURE

The fee for conducting a national search for a Master Trustee/Custodian generally starts at \$35,000; however, a lower fee may be charged if the search is on a regional basis and other factors can reduce the costs.

Performance Appraisal Report

The Performance Appraisal Report (PAR) is a performance reporting vehicle that provides a total fund summary, asset class summary and individual manager summary with appropriate benchmark comparisons. Clients also receive peer group comparisons for each of their managers. DeMarche uses custodial statements and manager reports to produce the PAR.

Individual manager analysis in the PAR includes a comparison of performance to selected market indexes and peer universes. In addition, the PAR evaluates performance in terms of risk and return.

The fee for the PAR is based on number of managers evaluated, types of managers, frequency of reporting, location of client, and depth of analysis. Fee ranges from \$5,000 to \$8,000 per year per manager. There is no PAR fee for any managers for which an FDM is separately produced.

Plan Sponsor Conference

DeMarche hosts an annual conference for its plan sponsor clients. Topics are presented by industry leaders, academics, researchers, and DeMarche consultants, and cover topics such as investment research, theory, analysis, and industry regulation, among others. The conference is partially sponsored by investment managers, from whom DeMarche receives sponsorship fees. Clients are invited free of charge.

Programs in Finance and Investments -- Corporate Membership

DeMarche's Programs in Finance and Investments are continuing education programs designed for senior investment, corporate finance and investor relations executives. DeMarche's programs provide unique opportunities to learn about cutting edge research and to network with top executives from some of the world's largest corporations. The programs are led by leading academics and DeMarche senior consultants. Fees for individual programs range from \$250 for one-day workshops to \$1,000 for three-day programs. The fee for a Corporate Membership generally starts at \$2,000 per year.

Research Services

DeMarche provides various research services to corporations, plan sponsors, insurance companies, investment managers, and others using its proprietary Factor Model, Market Phase Model, and Research Stock List.

DeMarche's Factor Model identifies the economic, market and company variables or factors that have a meaningful impact on the performance of a publicly traded stock, in order to produce expected return calculations. DeMarche's Phase Model analyzes market phases based on price and earnings indicators. DeMarche's Research Stock List is a list

PART II (A) of FORM ADV: FIRM BROCHURE

of over 3,000 stocks ranked by expected return using DeMarche's Factor Model. These services can be used for a broad range of investor relations applications, for financial decision-making and for in-house investment management. The fees for these services vary depending on the level of service.

SCORS (Style Code Rating Service)

Investment managers who want to see how their performance compares to a peer group of managers who use a similar investment style as well as to a broad universe of managers can subscribe to SCORS, DeMarche's Style Code Rating Service for managers.

The manager is also assigned one of DeMarche's Manager Style Codes and receives quarterly peer group and universe comparison charts.

Fees for SCORS range from \$5,000 to \$10,000 per year depending on the number of portfolios being monitored and if SCORS is provided in conjunction with any other performance diagnostic measurement report. Initial start-up fees to load historical performance range from \$500 to \$600 per quarter of data.

Special Consulting and Project Assignments

DeMarche provides clients special investment consulting and research services. Fees for these types of consulting assignments start at \$3,000 per day. When the project or services require travel to a client's locale, the DeMarche fee does not include direct expenses such as travel, meals, lodging, etc.

Style Analyzer

DeMarche's Style Analyzer is a returns-based style analysis system that utilizes William Sharpe's regression formula. This software includes multiple levels of statistical information, Applicant's 3-D Style Indexes, color graphics, import and export capabilities, and printing capabilities. In addition, the Style Analyzer provides Sharpe, Jensen and Treynor measures of performance.

The annual fee for the Style Analyzer is \$1,000 and includes quarterly update of Applicant's indexes.

Item 6: Performance-Based Fees and Side-By-Side Management

Performance-based fee arrangements may be available for DeMarche's consulting services. A performance fee arrangement may create an incentive for an advisor to make riskier recommendations or investments than would be made under a different arrangement. DeMarche may receive increased compensation with regard to unrealized as well as realized gains in a client's account. Prior to the inception of the performance-based fee arrangement, DeMarche must disclose the index used, the period(s) of time, and pricing of securities for performance measurement, as well as their significance. Each of these points, which may vary from client-to-client, is addressed individually with the client before the agreement begins.

PART II (A) of FORM ADV: FIRM BROCHURE

Item 7: Types of Clients

DeMarche provides services to institutional clients, such as corporations, banks or thrift institutions; pension and profit sharing plans; charitable trusts and charitable organizations. DeMarche does not provide investment advice or investment management services to individuals.

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

Investing in securities involves risk of loss that clients should be prepared to bear. DeMarche does not recommend any particular type of security. Clients' assets are typically diversified by asset class and investment style. Material risks such as market risk, interest rate risk, default risk, liquidity risk, and inflation risk are discussed with each client at the total fund, asset class, and security levels as part of the consultative process.

Methods of Analysis

The main sources of information DeMarche uses to make recommendations are financial newspapers and magazines, research materials prepared by DeMarche and others, corporate rating services, and DeMarche's proprietary database. The methods of security and investment analyses used by the firm include fundamental, technical and cyclical analysis.

Developing and Monitoring Investment Strategies

DeMarche's approach to developing and monitoring an investment strategy consists of four phases:

- Determine trustees' expectations for returns and tolerance for risk. During this phase DeMarche reviews with the trustees the characteristics of the different asset classes available for investment, discuss the advantages (rewards) and disadvantages (risks) of each, and use questionnaires to identify and quantify individual trustee's expectations and concerns.
- Identify optimal portfolio structure that provides the greatest potential for achieving return objectives for a given level of risk, efficient frontier modeling. DeMarche uses mean variance optimization modeling techniques. DeMarche identifies a range of portfolios that provide the lowest performance variability for the required rate of return.
- Implement the investment policy by determining which current managers, if applicable, should be retained and what changes or additions are needed. In the implementation phase, DeMarche makes every effort to retain existing managers in order to keep transition costs low and not disrupt long-term relationships needlessly. However, if changes are necessary, DeMarche assists clients with identifying appropriate managers and finding the most cost effective way to transition assets. Investment strategies used to implement investment advice are primarily long-term in nature but may include short-term purchases occasionally.

PART II (A) of FORM ADV: FIRM BROCHURE

- Provide ongoing monitoring of managers relative to their specific written investment guidelines and performance objectives. The key to monitoring managers, DeMarche believes, is to have the trustees' performance expectations and understanding of the investment process clearly documented in the form of Manager Guidelines. Managers are monitored based on the stability of their organization and their adherence to their stated investment style and process and relative to agreed-upon performance benchmarks. Results are presented quarterly to the trustees.

Item 9: Disciplinary Information

There has been no regulatory authority investigation of DeMarche for the past ten years and there is no pending investigation.

Item 10: Other Financial Industry Activities or Affiliations

Some of DeMarche's management persons are registered as a broker/dealer or a registered representative of a broker/dealer.

Affiliates of DeMarche include Discretionary Management Services, LLC (DMS) and ENDEX Capital Management LLC (ECM). Subsidiaries of DeMarche include Kansas City Brokerage, Inc. (KCB). A brief description of each follows:

DMS

In 2007, select principals of DeMarche formed Discretionary Management Services, LLC (DMS), an affiliated investment advisory firm, to provide discretionary investment management services to pension funds, foundations and endowment funds, corporate and operating funds and other pools of assets. DeMarche provides investment research, portfolio management, administrative support and compliance services to DMS through a facilities and services agreement. Messrs. Robert F. Marchesi, Tom Woolwine, and William Miskell, owners of DMS, also have an ownership interest in DeMarche.

KCB

DeMarche established Kansas City Brokerage, Inc. (KCB) in 1993 as a subsidiary to accommodate those clients who choose to use third-party payer or directed brokerage services as a method of paying for investment consulting services. KCB is registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority (FINRA) as an introducing broker/dealer. All trade execution and clearing services are provided for its customers through a fully disclosed clearing arrangement that it has with BNY ConvergeEx. DeMarche Associates, Inc. currently owns a majority interest in KCB. Robert F. Marchesi owns a minority interest.

DeMarche and KCB have a product and services agreement whereby DeMarche provides investment advisory services to KCB for resale by KCB to its customers, and in return is compensated with cash derived from brokerage commissions on transactions cleared on behalf of KCB's customers through KCB's clearing arrangement. KCB has entered into a fully disclosed clearing agreement with BNY ConvergeEx, another FINRA firm, to clear

PART II (A) of FORM ADV: FIRM BROCHURE

transactions for its (KCB's) customers on a fully disclosed basis. All brokerage clearing services including accepting orders, executing transactions, receiving and delivering funds and securities, safeguarding of securities, and sending of confirmations and statements, are performed by this correspondent. BNY ConvergeEx is responsible for the maintenance of books and records for all security transaction activities, handling any discrepancies or disputes, and correcting errors in settlement information. KCB is responsible for opening accounts and maintaining records of the brokerage activity resulting from securities transactions cleared through this arrangement. Neither KCB nor BNY ConvergeEx make recommendations concerning securities transactions and will not be responsible for recommendations concerning securities transactions.

ENDEX Capital Management

DeMarche principals have organized an affiliate investment advisory company, ENDEX Capital Management, LLC to provide investment technology and advisory services to institutional investors, master trustees, and investment management companies. ENDEX was organized on December 31, 1996, and is registered as an investment advisor with the Securities and Exchange Commission.

The arrangement between DeMarche and ENDEX provides for three current employees of DeMarche to serve as employees of ENDEX, pursuant to a services and facilities agreement. Mr. Jeffrey L. Hoffman serves as a Principal, Mr. Timothy J. Marchesi serves as a Principal, and Mr. Robert F. Marchesi serves part-time as ENDEX's Chief Investment Officer. In addition, DeMarche furnishes compliance-related services provided by DeMarche's compliance officer, Adam Strumpf.

Item 11: Conflicts of Interest and Code of Ethics

DeMarche clients include corporations, public entities, endowment funds and foundations, investment managers, and individuals. Providing services to these varied groups does create potential conflicts of interest.

For many years, DeMarche has maintained written policies and controls to minimize potential conflicts of interest and, it believes, covering a much broader area of control than called for by regulators. Controls include management oversight, internal policies and procedures, consultant training, and both required and voluntary disclosure to clients. DeMarche policies address not only potential conflicts but also areas such as compensation, entertainment, manager conferences, etc.

Institutional Division

DeMarche has created a separate Institutional Division through which it provides some professional services to the investment manager community. Some managers contract with DeMarche to provide them with performance measurement and evaluation/attribution services on their portfolios. DeMarche also provides the manager community with investment and capital markets research via the Institutional Division. Institutional Division activities with the manager community are kept separate from consulting practice services with clients to prevent any potential conflicts of interest.

PART II (A) of FORM ADV: FIRM BROCHURE

Only the majority owner of the firm, Robert Marchesi, has authority over both the consulting practice and the Institutional Division. Furthermore, Institutional Division related activities are generally conducted at offsite locations or in the manager's offices. However, research services and reports, as well as performance attribution reports, are produced for managers in the same production area responsible for all other DeMarche reports. Clients of the Institutional Division are not allowed preferential treatment. All are subject to the same MARC policies currently in place related to the evaluation of investment managers. No soft dollars are accepted from managers to participate in the Institutional Division. Moreover, whether a manager purchases services from DeMarche is not considered and does not play any role in actions taken by MARC. In fact, whether a manager purchases services from DeMarche is generally not available to members of MARC.

Investment Manager Searches

To ensure that investment manager services do not impact DeMarche's other traditional consulting relationships, managers may not and do not reimburse DeMarche for participation in DeMarche's proprietary manager database or for inclusion in manager searches. The DeMarche manager universe is open to any manager who sends performance data. Managers are not charged for sending performance data.

KCB (Directed Brokerage / Soft Dollars)

Internal procedures of KCB include opening only institutional accounts, opening no discretionary accounts, opening no margin accounts, holding no inventory of either customer or proprietary accounts, prohibiting the making of security recommendations to any customer at any time, prohibiting any person associated with the firm from giving or receiving expensive gifts, exercising supervision over any non-employee performing any functions for the firm, thoroughly educating any associated persons regarding the FINRA's Private Securities Transactions Rule, and reviewing all supervisory procedures annually.

DeMarche Code of Ethics and Policies and Procedures

DeMarche has a written Code of Ethics and Policies and Procedures manual that all employees are required to familiarize themselves with and acknowledge in writing each year that they have read and agree to abide by them. DeMarche has a strict policy on accepting gifts and entertainment from investment managers. All DeMarche consultants are required to confirm in writing to the Compliance Officer on a quarterly basis regarding DeMarche gift policies. Failure to comply can result in termination of employment. The Compliance Officer will maintain a record of each employee's receipt of the DeMarche Code of Ethics. DeMarche will provide a copy to clients and prospects upon request.

Item 12: Brokerage Practices

As an investment consultant, DeMarche typically does not recommend broker/dealers for client transactions and does not determine reasonableness of broker/dealer compensation. DeMarche does not receive research or other products or services in connection with client securities transactions. DeMarche does not receive client referrals from a broker/dealer or third party for recommending broker/dealers. While DeMarche does not

PART II (A) of FORM ADV: FIRM BROCHURE

routinely recommend, request, or require that a client use directed brokerage, DeMarche will permit a client to direct brokerage through KCB. Directed brokerage may cost clients more money and may not achieve most favorable execution of client transactions.

Where the client desires to make payment for DeMarche's services with directed brokerage credits, the broker made available, BNY ConvergeEX, has been selected based on factors which include DeMarche's arrangements with the broker, the reputation of the broker/dealer, quality of execution, and price. The reasonableness of their commissions is determined based on comparison with industry averages for similar execution costs.

Item 13: Review of Accounts

DeMarche reviews client accounts on a formal basis each quarter. Investment Consultants typically conduct the review. DeMarche prepares written quarterly performance reports and delivers and presents such reports after the close of each calendar quarter. Reports include a capital markets review, an asset allocation summary, an asset distribution breakout by market value, a comparison of the investment performance versus appropriate benchmarks and peers, risk analysis, performance attribution, and investment manager style analysis.

Item 14: Client Referrals and Other Compensation

DeMarche receives an economic benefit from KCB, a non-client firm which provides brokerage services and investment advice or other advisory services to DeMarche clients. Through a product and services agreement with KCB, DeMarche is compensated with cash derived from brokerage commissions directed through KCB in return for providing investment advisory services to clients.

KCB also offers a Third Party Payer program in which KCB collects and accumulates brokerage commissions produced by the client's investment managers from trades directed through KCB's clearing arrangements and in return makes "credits" available to the client for the payment of plan expenses. Credit (brokerage commissions less applicable clearing costs) generated through this clearing arrangement are held by KCB "on account" for the client and are not refundable directly to the client. KCB pays invoices for products and services with the accumulated credits, which may include payment to DeMarche for investment advisory services.

DeMarche compensates non-supervised person(s) for client referrals.

Item 15: Custody

DeMarche does not have custody of client funds or securities. DeMarche urges clients to compare account statements they receive from their qualified custodian(s) and investment managers with any report they receive from DeMarche.

PART II (A) of FORM ADV: FIRM BROCHURE

Item 16: Investment Discretion

DeMarche does not accept discretionary authority to manage client funds or securities. DeMarche offers a discretionary service for trustee-directed plans through its affiliate, Discretionary Management Services, LLC (DMS). Please see DMS' Form ADV Part II for additional information about investment discretion of client accounts.

Item 17: Voting Client Securities

DeMarche does not vote client securities. Clients will typically receive their proxies directly from their custodian.

Item 18: Financial Information

DeMarche does not require or solicit prepayment of client fees. DeMarche does not have custody of client funds or securities. DeMarche has not been the subject of a bankruptcy petition at any time and is not aware of any condition that is reasonably likely to impair its ability to meet contractual commitments to clients.