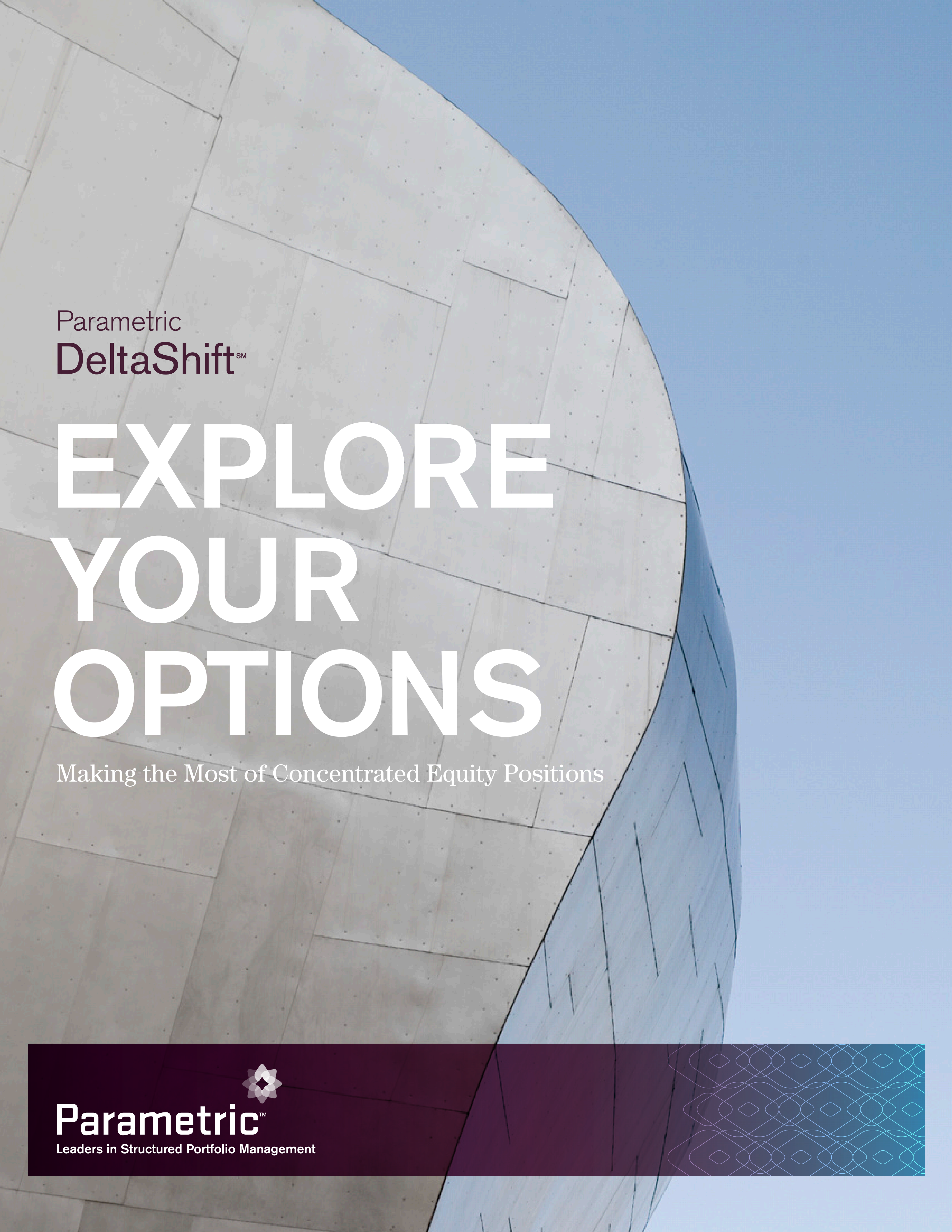
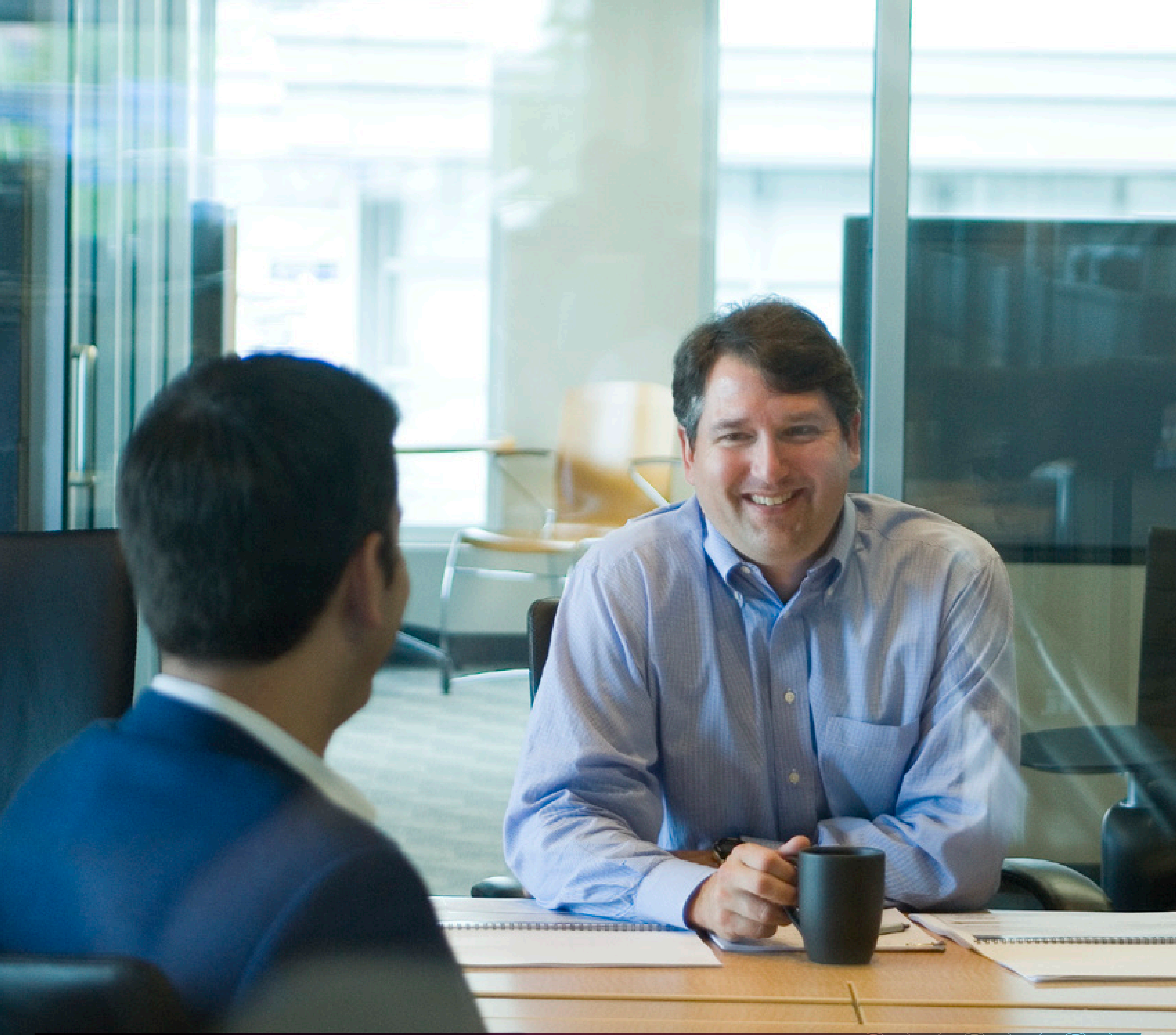


Parametric
DeltaShift℠

EXPLORE YOUR OPTIONS

Making the Most of Concentrated Equity Positions

Parametric™
Leaders in Structured Portfolio Management



"It is paradoxical that wealth is often created through investment concentration, but maintained through diversification and careful management. Intelligently making the most of a concentrated equity holding is an essential part of successful wealth management."

Brad Berggren
Managing Director, Founder
Parametric Risk Advisors

CONCENTRATED STOCK POSITIONS

For a portfolio concentrated in a single stock position, the primary decision is whether to hold or diversify. Financial theory suggests that diversifying concentrated equity holdings is appropriate for most investors. There are a variety of diversification solutions available, including immediate liquidation, staged sales, hedging transactions, exchange funds and planned giving. While investors often utilize multiple strategies to manage a concentrated holding, many continue to retain a substantial portion of their portfolio in a single holding.

The most common reasons for holding a concentrated position include:

- Deferring or avoiding capital gains taxes
- Bullish performance expectations for the stock
- Limitations or restrictions on stock sales

KEY PARAMETRIC DELTASHIFT BENEFITS:

- Potential yield enhancement and increased total return
- Reduced portfolio volatility
- Tax-efficient settlement process
- Professional management that improves the odds of program success

ENHANCING TOTAL RETURN AND CREATING INCOME

For investors who choose to hold a concentrated stock position, Parametric offers a managed covered call program that seeks to improve total return and to generate incremental income. We call this program DeltaShift℠. "Delta" reflects the probable change in the value of an option relative to changes in the value of the underlying stock; "shift" refers to the way options reshape the expected risk and return characteristics of an investment or portfolio of investments. DeltaShift is a transparent, repeatable methodology with institutional execution and efficient operational processes designed to boost total return within clearly defined risk parameters.

Parametric Risk Advisors actively manages the DeltaShift covered call writing program for high-net-worth investors and institutions with concentrated holdings. With its significant risk management experience and superior technology, Parametric seeks to enhance the total return of a concentrated position in the most efficient manner.

WHAT IS A COVERED CALL?

A covered call is a combination of owning shares of a stock and selling (or writing) call options against those shares. The seller of a call option receives an upfront cash premium while the buyer of a call option receives the right, but not the obligation, to purchase a fixed number of shares of the underlying stock at or before a future date (the “maturity date”) at a predetermined price (the “strike price”).

- If the stock price is below the option’s strike price on the option’s maturity date, the option generally expires worthless, and the seller keeps both the premium and the stock.
- If the stock is above the strike price on the option’s maturity date, the option will be exercised, and the call option writer is obligated to sell the fixed number of shares of stock at the strike price.

While the sale of a covered call generates positive cash flow, it does not eliminate the downside risk of stock ownership. The maximum loss for a stock position with a written covered call is the total loss of the stock less the option premium received. At the same time, the strategy may limit some of the potential upside return. Parametric’s approach, to roll the options and reset the strike price frequently, may allow clients to continue to participate in stock appreciation over time.

HOW DELTASHIFT WORKS

DELTASHIFT, A STRUCTURED AND RULES-BASED PROCESS, CAN BE FLEXIBLE IN ITS IMPLEMENTATION BASED UPON THE CLIENT'S INVESTMENT OBJECTIVES

01 DESIGN

In the design phase of the DeltaShift covered call program, Parametric works with clients and advisors to understand the client's investment objectives, including: time frame, risk/return guidelines and income stream, as well as the dynamics of the underlying stock.

Prior to implementation, the client receives an indicative analysis outlining the stock's historical volatility, an estimate of the premiums to be generated, the statistical likelihood of achieving certain returns, and the expected quantity of shares to be sold during the period.

02 IMPLEMENTATION

During implementation, multiple short-dated call options are selected and sold. Listed options are most often chosen, due to greater liquidity and transparency than over-the-counter options, providing a cost-effective solution to the client.

03 RISK MANAGEMENT

On a continual real-time basis, all open option positions are monitored and evaluated in terms of their risk and return characteristics. Diligent risk management works to maximize profit realization and minimize potential underperformance.

As options expire, new options are sold, generating additional premium inflows.

For clients who wish to minimize the number of underlying shares sold, a "net share settlement" process is implemented to reduce the quantity of low basis shares sold (see sidebar at right) in the event of an exercise.

Over time, a cash reserve may build in the account from the call premiums received. This reserve can be withdrawn from the portfolio or maintained to reduce potential stock sales in the future.

04 REPORTING

Each transaction appears on the monthly statement generated by the account custodian. In addition, Parametric provides a quarterly review which includes a current market valuation, a comparison to benchmark performance, and a portfolio volatility analysis.

NET SHARE SETTLEMENT OF EXERCISED OPTIONS

Using our net share settlement process for a listed option, an option seller may improve after-tax returns by minimizing the number of existing shares sold in the event the options are exercised.

This is accomplished by using the proceeds of the exercise of the option (the option buyer must deliver cash equal to the strike price times the number of shares to the option seller) to purchase the majority of the required shares in the open market. The balance of the required shares is delivered from the option seller's portfolio. This practice can sharply reduce capital gains taxes relative to solely delivering the option seller's, often low basis, holdings.

- Assume strike price of $100, market price of $110 (i.e., $10 "in-the-money"), 100 underlying shares.
- Traditional settlement (deliver 100 shares): client is left with 0 shares, $10,000 in cash and a taxable gain on all 100 shares sold.
- Net share settlement: client keeps ~91 shares with a total value of $10,000 and a taxable gain on only 9 shares sold.

EFFECTIVE MANAGEMENT REDUCES THE POTENTIAL FOR STOCK SALES

A sold call option is an obligation to sell stock at a particular price in the future if the underlying stock appreciates beyond the strike price. In practice, careful risk management can give the seller significant control over the number of shares sold. By carefully selecting options that offer a rewarding trade-off between income from premiums and potential for stock sales and by utilizing a "net share settlement" process where appropriate, Parametric provides the options management expertise that can significantly lower the potential for stock sales.

VALUE OF CASH PREMIUM IS INVERSELY PROPORTIONATE TO EXPECTED NUMBER OF SHARES RETAINED

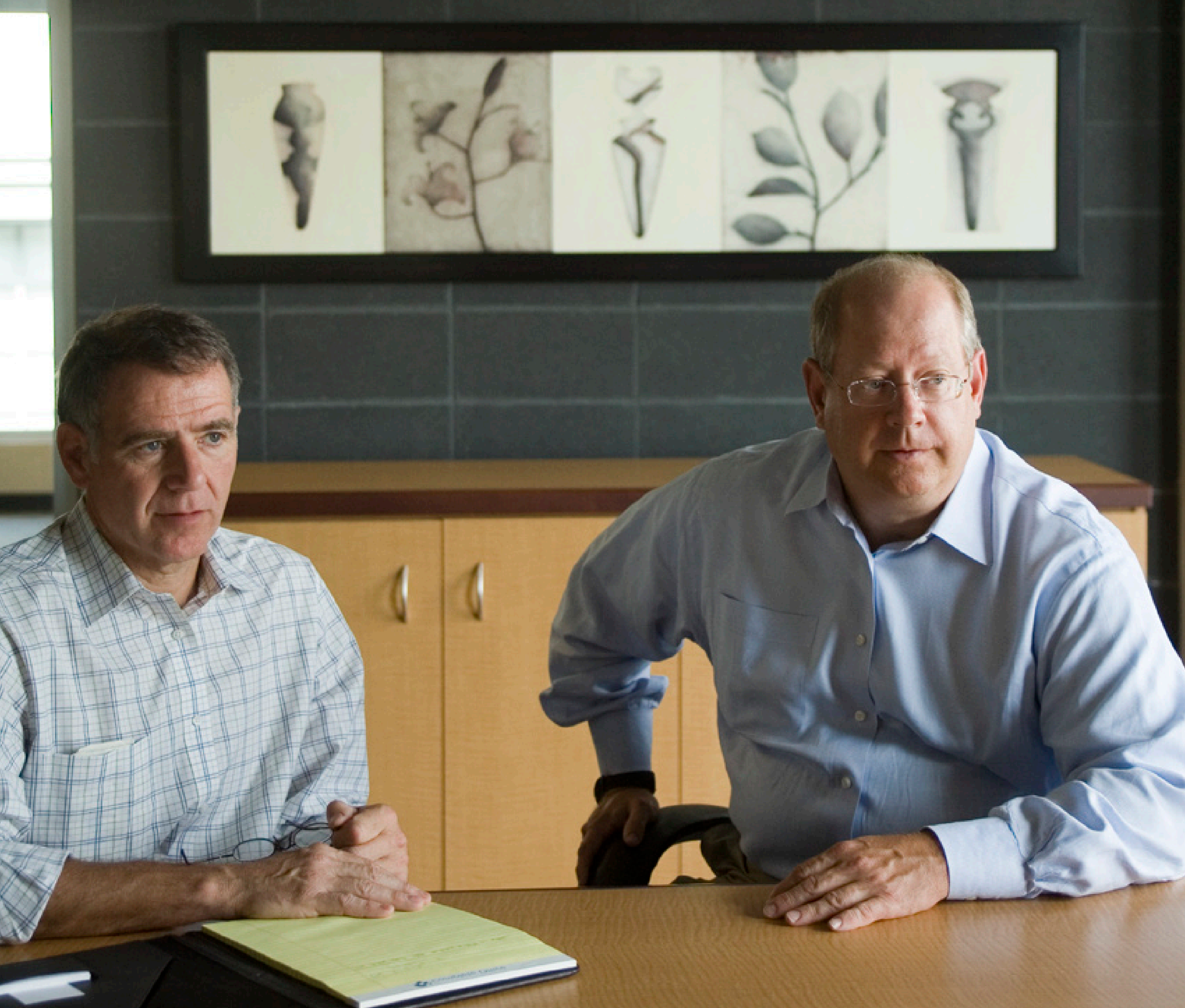
A call-writing program may seek more cash generation in the form of higher option premiums by writing calls that have a higher likelihood of "exercise"—resulting in more underlying stock shares being sold or "called-away." As an example of this tradeoff, Parametric's research indicates that the DeltaShift process can produce 3–6% incremental return while expecting to sell 2–3% of the underlying stock position.[1] An investor could choose to increase the expected cash inflows through the sale of calls with a higher likelihood of exercise; however, doing so would also increase the expected number of shares sold.

1. These expectations are based upon a Parametric Risk Advisors' simulation of the expected experience of a call-writing program utilizing a representative large cap U.S. stock. In performing the analysis, Parametric Risk Advisors used a variety of assumptions including an annual yield of 1% and an annual volatility of 20%. Changes to these or other assumptions would alter the outcome of the analysis and the expectations of incremental return and selling experience. This example is not reflective of the experience of any particular Parametric client and should not be deemed sufficient to make investment recommendations or decisions regarding the buying or selling of options. It should not be presumed that any strategies employed will be profitable or will be equal to the above example. Individual results will vary. Options are not suitable for all investors. Please refer to the last page for other important disclosures about options risk and Parametric Risk Advisors, LLC.

WHAT IS THE SOURCE OF THE POTENTIAL EXTRA RETURN FROM THIS STRATEGY?

There is often a supply/demand imbalance for many equity options. Investors generally buy call options to speculate on the potential appreciation of a stock and buy put options for protection from a potential decline. The only “natural” seller of a call option is the long-term owner of a concentrated equity position. Other sellers of options, including banks, broker/dealers and institutional traders, incur costs to hedge option positions and seek to generate a per-transaction profit.

A concentrated equity holder (without the hedging and other costs of a dealer) is in the unique position to take advantage of prices that are often at higher levels than their theoretical value due to these extraneous costs. Over repeated option cycles, Parametric maintains that a quantifiable, expected profit exists and can be realized.



BENEFITS OF A PROFESSIONALLY MANAGED CALL-WRITING PROGRAM

While covered call writing is considered a relatively straightforward strategy, most investors do not have the expertise or patience to efficiently implement a successful call writing program on their own. Too often, calls are written on an ad hoc basis–seeking high premiums at the expense of maintaining potential growth–and the program ends after several cycles with the stock being called away unexpectedly.

A managed covered call-writing program provides significant value by introducing discipline and professional management into what is typically a series of "one-off" events.

In contrast to individual investors who often write only a few higher premium options, DeltaShift uses a portfolio of shorter-maturity and out-of-the-money options to reduce exercise risk.

DELTASHIFT	vs.	SELF-DIRECTED
- Disciplined, transparent covered call writing program - Options chosen to systematically balance option income versus stock retention goals - Short-term options written to minimize event risk and capture numerous small option premiums - Focus on a risk-adjusted return and exit process		- Often a tactical or reactionary decision based on recent stock price changes - Tends to focus on capturing large option premiums without rigorous analysis of the attendant risk of selling underlying stock - Lacks a methodical exit strategy for settling the transaction

WHO SHOULD CONSIDER PARAMETRIC DELTASHIFT?

- Investors seeking to enhance income or total return from a concentrated equity position.
- Investors seeking to implement a disciplined sales program—selling portions of a concentrated stock position at higher than current market values, or earning premium income in the meantime.

In both cases, investors benefit from having an additional tool in a comprehensive diversification plan—Parametric DeltaShift can be used alongside other methods, such as hedging, charitable giving and exchange funds.

REAL LIFE CASES[2]

- **A retired executive has significant concentrated stock from his company and wants to enhance total return with a targeted sale price.**

The client decided to sell the position if the stock reached a target price. Parametric Risk Advisors developed a custom call writing strategy designed to increase the total return of the stock position and effect sales at or near target levels.

- **A private foundation holds a large position in a single stock and wants to enhance return.**

The foundation was required in their charter to hold a significant amount of stock, concentrated in a single company. Parametric Risk Advisors developed a covered call writing program that sought to enhance their total return and reduce the volatility of the foundation's portfolio, while attempting to minimize any sale of stock. Over the first year of the program, the stock appreciated more than 30%, but because the options were written slightly out-of-the-money and over short maturities, in this example, none of the underlying stock was called away.

KEY PARAMETRIC DELTASHIFT BENEFITS:

- Current income
- Reduced portfolio volatility
- Designed to maintain significant participation in dramatic upward price movements

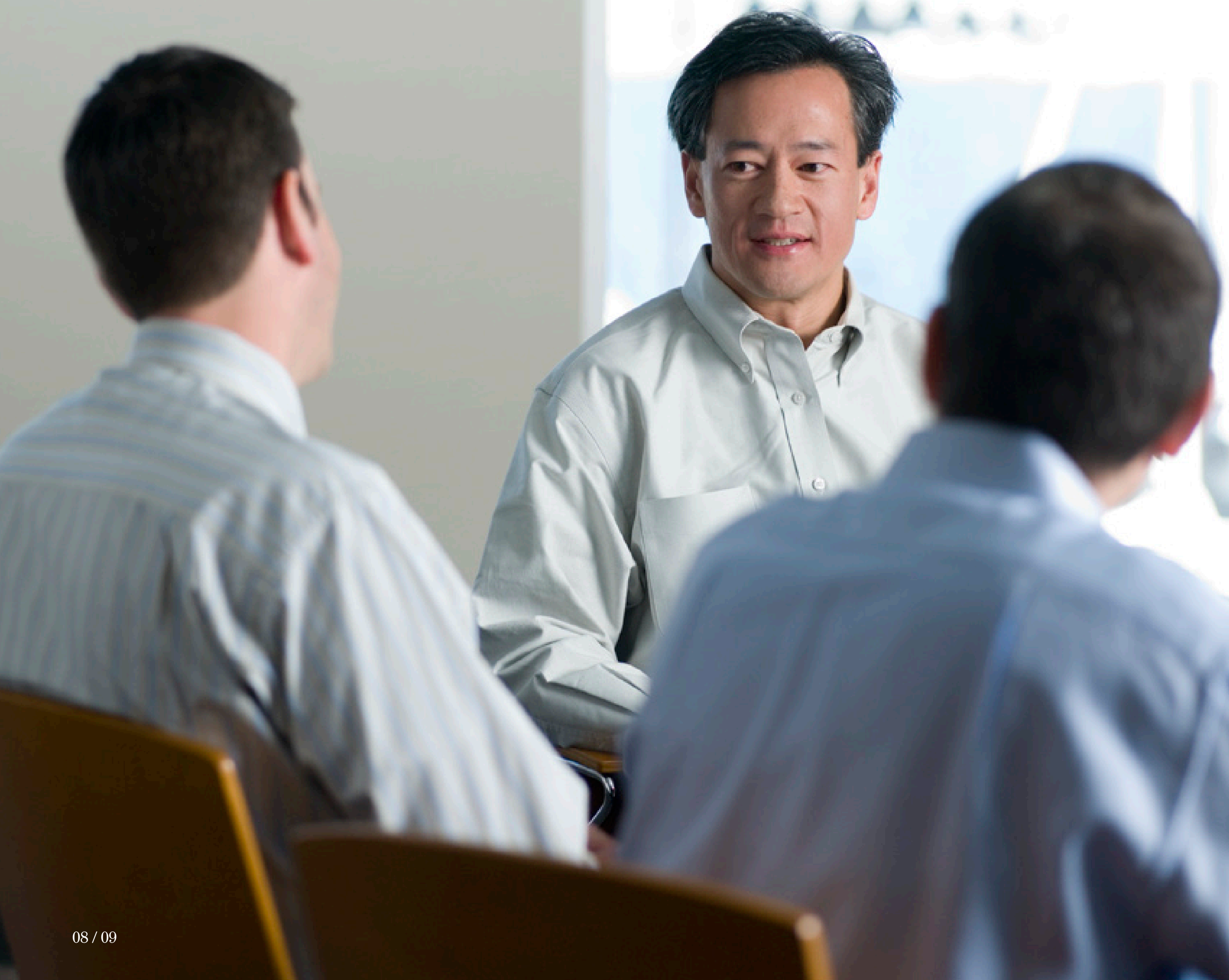
2. The above examples are not an indication of the experience of all Parametric clients. It should not be presumed that any strategies employed will be profitable or will equal the experience of the above examples.

"We believe that a well thought out covered call writing program should incorporate transparency, liquidity, low costs, robust risk management, and a repeatable process."

Ken Everding, PhD
Managing Director
Parametric Risk Advisors

THE PARAMETRIC ADVANTAGE:

- Systematic methodology
- Transparency
- Liquidity
- Low cost
- Robust risk management
- Repeatable process
- Professional management
- Professional trade execution
- Tax efficient settlement process



FREQUENTLY ASKED QUESTIONS

How does the Parametric DeltaShift process select options?

Specific options are chosen based upon a proprietary process that emphasizes an option's "delta"—a metric that reflects the sensitivity between option premium and changes in the price of the underlying stock. The DeltaShift process is unique in the extent to which it carefully combines both risk and return considerations.

In general, the process employs multiple short-dated options with maturities generally between 2 to 3 months to minimize the potential event risk associated with longer-dated options that span several earnings cycles. Options sold generally have strike prices higher than the current stock price to allow for some stock appreciation. Listed options are chosen as they are preferable to over-the-counter (OTC) options from a cost perspective. (OTC options may provide greater flexibility in certain situations, but at a prohibitive and often hidden cost.) FLEX options are sometimes used to provide similar flexibility to OTC options, but in a listed contract.

Does this strategy provide downside protection if the stock does poorly?

Covered call writing strategies do not provide downside protection beyond the premiums received for selling the call option.

Can the program be terminated at any time?

Yes. The DeltaShift program can be terminated at any time. To unwind any outstanding call positions, they need to be repurchased (to close) in the open market. The cost of ending the strategy is generally low, but will vary depending on a number of factors.

In what environments will this strategy do well?

Relative to a long-only concentrated stock position, the strategy does well if the stock price is flat or down during the period. Even when the stock price appreciates during the period, the strategy may result in a total return similar to that of the stock. Sharp increases in stock price will cause the strategy to underperform a long-only position, although in that case, both strategies will generally increase in value.

Generally, what are the tax consequences of a covered call option?

Option expires worthless: The premium received is treated as a short-term capital gain at maturity.

Option is exercised; stock is delivered: The premium is added to the total proceeds of the stock sale and is treated as a capital gain.

Option is repurchased prior to maturity: The gain or loss is treated as a short-term capital gain or loss.

What is a qualified covered call option?

A qualified covered call (QCC) is generally defined as an option that, when written, is no lower than one strike in-the-money and has a maturity of more than 30 days and less than 33 months. Qualified covered calls may provide a limited exemption from the straddle rules.

What is "delta"?

Delta is a transparent measure of option risk. It is the expected change in the value of an option for each dollar change in the underlying stock. Delta is a useful tool for selecting option contracts in order to balance income and growth potential. An option with a delta of 100% moves in lockstep with the stock price. Options with low deltas (< 20%) usually generate very small premiums and, in our experience, are generally not worth selling. Options with a delta greater than 40% may generate a relatively larger premium, but also have a higher likelihood of being exercised than a lower delta option.

What is the difference between listed and OTC options?

Listed options are standardized contracts listed on an exchange. They offer liquidity and transparency in an open outcry market. OTC options are private contracts that may provide greater flexibility but at a potentially prohibitive price, especially for short-dated contracts. If non-standard terms are needed, we may use "FLEX" options, which are essentially listed options with flexible strikes and maturities and are traded in an open outcry market on an exchange.

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Parametric Risk Advisors, LLC, (PRA) is an SEC Registered Investment Advisor and offers investment management services, including disciplined option trading strategies such as covered call writing (DeltaShift℠). Parametric Risk Advisors, located in Westport, Connecticut, is an affiliate of Parametric Portfolio Associates, LLC (Parametric), an industry-leading provider of structured portfolio management services. Headquartered in Seattle, Washington, Parametric was founded in 1987 and is a majority-owned subsidiary of Eaton Vance.

Eaton Vance Corp., a Boston-based investment management firm with more than $150 billion of assets under management, is traded on the New York Stock Exchange under the symbol EV.

Important Information

DeltaShift is a discretionary managed call writing program of Parametric Risk Advisors, LLC. This brochure is intended to describe generally how the program works, but it is not a complete description of DeltaShift or how Parametric Risk Advisors performs its investment management responsibilities.

This information should not be considered investment advice or a recommendation to buy or sell any particular security. The information in this material and any specific securities mentioned are not intended to be representative of all securities purchased, sold or recommended for clients. It should not be assumed that any of the securities or recommendations made in the future will be profitable or will equal the performance of the listed securities. Past performance does not predict future results.

The upside potential of covered call option positions is limited to the strike price plus the premium received. Unless the position is closed, the client relinquishes any upside potential above the call strike price. The downside protection afforded by covered call writing is limited to the amount of the premium received. If the stock held by the client declines significantly, the only protection will be the premium received. Retaining Parametric Risk Advisors to render investment management services and/or to manage a securities investment account may involve significant risks, including the risk that the account could suffer substantial diminution in value. Investors should have the financial ability and willingness to accept such risks.

The sale of stock will produce tax consequences for U.S. taxpayers. Each option transaction also produces a tax consequence. Prior to implementing the DeltaShift managed call writing program, you should discuss with your personal tax adviser how the options transactions and any sales of underlying stock will affect your tax situation. Neither Parametric Risk Advisors nor Parametric Portfolio Associates provide tax advice.

Options are not suitable for all investors. Please ensure that you have read and understood the current options risk disclosure document before entering into any options transactions. The options risk disclosure document can be accessed at the following web address: http://optionsclearing.com/publications/risks/download.jsp.