



## Legend Advisory Corporation

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### **Item 1 - Cover Page**

# **Form ADV Part 2A Brochure**

## **March 1, 2012**

This brochure provides information about the qualifications and business practices of Legend Advisory Corporation. If you have any questions about the contents of this brochure, please contact us at (866) 774-8671 and/or [compliance@legendadvisorycorp.com](mailto:compliance@legendadvisorycorp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Legend Advisory Corporation is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Legend Advisory Corporation is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

## **Item 2 - Material Changes**

There have not been any material changes to this brochure since the date of our last annual update on March 31, 2011.

### Item 3 - Table of Contents

Item 1 - Cover Page .....	i
Item 2 - Material Changes.....	ii
Item 3 - Table of Contents .....	iii
Item 4 - Advisory Business.....	1
Item 5 - Fees and Compensation .....	13
Item 6 - Performance-Based Fees and Side-By-Side Management.....	25
Item 7 - Types of Clients .....	26
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	27
Item 9 - Disciplinary Information.....	31
Item 10 - Other Financial Industry Activities and Affiliations .....	32
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	34
Item 12 - Brokerage Practices .....	36
Item 13 - Review of Accounts .....	38
Item 14 - Client Referrals and Other Compensation.....	38
Item 15 - Custody .....	39
Item 16 - Investment Discretion .....	39
Item 17 - Voting Client Securities .....	40
Item 18 - Financial Information .....	40

## **Item 4 - Advisory Business**

Legend Advisory Corporation has been actively managing investment portfolios since 1978, providing investors with access to proactive money management strategies that reflect a wide spectrum of investment objectives. Legend Advisory Corporation's history is rooted in the development of services for the retirement plan marketplace. Our firm is a wholly-owned subsidiary of Legend Group Holdings, LLC, which was acquired by Waddell & Reed Financial, Inc. in 2000.

Legend Advisory Corporation offers dynamic discretionary asset management services and proprietary quantitative research based on our artificial intelligence-based investment discipline. We also offer non-discretionary mutual fund investment services, third-party advisory services, sub-advisory services and financial planning services. Investment advice provided by Legend Advisory Corporation is limited to investment in mutual funds and variable annuity sub-accounts. As of December 31, 2011, Legend Advisory Corporation manages approximately \$1.63 billion of assets on a discretionary basis and approximately \$13.13 million of assets on a non-discretionary basis.

### **Asset Management Services**

Legend Advisory Corporation utilizes computer-generated analysis in the form of neural networks to develop asset allocation recommendations for a series of model portfolios. Legend Advisory Corporation diversifies clients' assets in accordance with the objective(s) of each model portfolio. You should refer to the "Methods of Analysis and Investment Strategies" section of this brochure for additional information on our investment discipline and strategies.

You must complete an Investor Profile before opening an account to receive our asset management services, with the exception of our Managed Income Program. This profile helps you determine your risk tolerance, investment objectives and financial goals so we can manage your account according to your individual needs. An Investment Adviser Representative of Legend Advisory Corporation will work with you to complete the Investor Profile and help you select an appropriate model portfolio and asset management program. Legend Advisory Corporation does not require you to complete an Investor Profile to select the Managed Income Program because of the Managed Income Portfolio's unique objective. You may impose reasonable restrictions on the investments Legend Advisory Corporation makes for you as well as retain the right to withdraw securities or cash from your account and the right to vote, or delegate the authority to vote, proxies.

## Selecting a Portfolio

The objectives of Legend Advisory Corporation's model portfolios are as follows:

- **Bond Portfolio:** The Bond Portfolio is designed for clients who seek reduced volatility and want exposure to mutual funds which invest primarily in non-equity asset classes. Legend Advisory Corporation offers the Bond Portfolio within the SAM<sup>®</sup> and Freemark programs only.
- **Preservation Portfolio/Neuralvision<sup>®</sup> I Portfolio:** The Preservation Portfolio/Neuralvision<sup>®</sup> I Portfolio is designed for clients with a low tolerance for risk. Legend Advisory Corporation generally allocates the Preservation Portfolio/Neuralvision<sup>®</sup> I Portfolio more heavily in debt funds while maintaining exposure in equity funds.
- **Balanced Portfolio/Neuralvision<sup>®</sup> II Portfolio:** The Balanced Portfolio/Neuralvision<sup>®</sup> II Portfolio is designed for clients who seek a risk-adjusted, market based return. Legend Advisory Corporation may allocate the Balanced Portfolio/Neuralvision<sup>®</sup> II Portfolio more heavily in either debt or equity funds, depending on our market outlook.
- **Total Return Portfolio/Neuralvision<sup>®</sup> III Portfolio:** The Total Return Portfolio/Neuralvision<sup>®</sup> III Portfolio is designed for clients with a higher tolerance for volatility. Legend Advisory Corporation generally allocates the Total Return Portfolio more heavily in domestic and international equity funds while maintaining exposure in domestic and international debt funds.
- **Global Capital Appreciation Portfolio:** The Global Capital Appreciation Portfolio is designed for clients with a higher tolerance for risk and an aggressive investment objective. Legend Advisory Corporation generally allocates the Global Capital Appreciation Portfolio predominately in domestic and international equity funds with less exposure to domestic and international debt funds.
- **Global Capital Growth Portfolio/Neuralvision<sup>®</sup> IV Portfolio:** The Global Capital Growth Portfolio/Neuralvision<sup>®</sup> IV Portfolio is designed for clients with a higher tolerance for risk and an aggressive investment objective. Legend Advisory Corporation generally allocates The Global Capital Growth Portfolio/Neuralvision<sup>®</sup> IV Portfolio primarily in domestic and

international equity funds and does not normally make any material allocations to debt funds.

- **Managed Income Portfolio:** The Managed Income Portfolio is designed for clients who seek income. Legend Advisory Corporation may allocate the Managed Income Portfolio more heavily in either debt or equity funds, depending on our market outlook.

### Selecting a Program

Once you determine the most appropriate model portfolio for your needs, you must select an appropriate program. Your selection of a program will depend on the type of account you maintain and any individual preferences and/or circumstances you may have, as described in the table on the following page. Our programs are as follows:

- Freemark
- Managed Income (formerly known as Independence Income)
- Neuralvision®
- Strategic Asset Management® (SAM®) and SAM® Select
- SAM® 401(k)

The general characteristics of each of these programs are listed in the table on the following page:

<b>Account Type</b>	<b>Allocation Options</b>	<b>Programs Available</b>
Non-qualified account	Allocations occur among a single fund family/variable annuity sub-account	<ul style="list-style-type: none"> <li>• Freemark Freedom Series<sup>®</sup></li> <li>• Freemark Victory Series</li> <li>• SAM<sup>®</sup>/SAM<sup>®</sup> Select</li> </ul>
	Allocations occur among various fund families	<ul style="list-style-type: none"> <li>• Freemark Liberty Series</li> <li>• Freemark Patriot Series</li> <li>• Managed Income</li> </ul>
Qualified account	Allocations occur among a single fund family/variable annuity sub-account	<ul style="list-style-type: none"> <li>• Freemark Allegiance Series</li> <li>• Freemark Freedom Series<sup>®</sup></li> <li>• Freemark Victory Series</li> <li>• SAM<sup>®</sup>/SAM<sup>®</sup> Select</li> </ul>
	Allocations occur among various fund families	<ul style="list-style-type: none"> <li>• Freemark Allegiance Series</li> <li>• Freemark Liberty Series</li> <li>• Freemark Patriot Series</li> <li>• Managed Income</li> <li>• SAM<sup>®</sup>/SAM<sup>®</sup> Select (MVP accounts and Security Benefit Advisor Mutual Fund Program accounts only)</li> </ul>
401(k) or ERISA 403(b)	Limited to allocations occurring among various mutual fund families	<ul style="list-style-type: none"> <li>• Neuralvision<sup>®</sup></li> <li>• SAM<sup>®</sup>/SAM<sup>®</sup> Select</li> <li>• SAM<sup>®</sup> 401(k)</li> </ul>

## I. The Freemark Program

The Freemark Program is generally available to clients with initial investments of more than \$100,000 who wish to invest in load-waived and no load mutual funds. The Freemark Program is composed of different series to allow Legend Advisory Corporation to manage each client's assets based on their individual preferences and/or circumstances. These series are:

- **Allegiance Series:** The Allegiance Series is available only to clients whose retirement plans use Fidelity Investments as custodian. Legend Advisory Corporation allocates

Allegiance Series model portfolios within the investment options available on each plan.

- Freedom Series: Legend Advisory Corporation allocates Freedom Series model portfolios using mutual funds within the fund family selected by the client at account opening.
- Liberty Series: Legend Advisory Corporation allocates Liberty Series model portfolios using mutual funds available through Charles Schwab's open-architecture platform.
- Patriot Series: Legend Advisory Corporation allocates Patriot Series model portfolios using mutual funds available through Pershing LLC's open-architecture platform.
- Victory Series: The Victory Series limits clients to investment in loaded, load-waived and no-load variable annuity sub-accounts. Legend Advisory Corporation allocates Victory Series model portfolios within the sub-accounts available from the individual insurance company selected by the client at account opening.

## II. Managed Income

The Managed Income Program is available to clients with initial investments of more than \$100,000 who wish to invest in load-waived and no load mutual funds and who seek income. The Managed Income Program is limited to clients who select the Managed Income Portfolio. The program is composed of different series to allow Legend Advisory Corporation to manage each client's assets based on their individual preferences and/or circumstances. These series are:

- FTC Series: Legend Advisory Corporation allocates the FTC Series model portfolio using mutual funds available through Pershing LLC's open-architecture platform.
- Liberty Series: Legend Advisory Corporation allocates the Liberty Series model portfolio using mutual funds available through Charles Schwab's open-architecture platform.



### III. Neuralvision®

The Neuralvision® Program is available to 401(k) and ERISA 403(b) plan participants exclusively. Legend Advisory Corporation allocates Neuralvision® model portfolios using load-waived and no-load mutual funds available through Matrix's platform.

### IV. SAM® and SAM® Select

The SAM® and SAM® Select programs are available to clients with initial investments of at least \$5,000. The minimum initial investment required for the SAM® and SAM® Select Programs varies by the type of account you maintain. You should refer to the "Types of Clients" section of this brochure for additional information on the minimum initial investments required for opening an account.

Legend Advisory Corporation allocates SAM® and SAM® Select model portfolios using loaded, load-waived and no-load mutual funds within the fund family selected by the client at account opening, with the exception of MVP accounts and Security Benefit Advisor Mutual Fund Program accounts which are allocated using mutual funds available through these respective platforms. The MVP option is no longer available to new clients.

The SAM® Program is limited to clients who select the Bond Portfolio, Preservation Portfolio, Balanced Portfolio or Total Return Portfolio. The SAM® Select Program is limited to clients who select the Global Capital Appreciation Portfolio or Global Capital Growth Portfolio.

### V. SAM® 401(k)

The SAM® 401(k) Program is available to 401(k) plan participants where their plan provides Legend Advisory Corporation's asset management services as a plan option. Legend Advisory Corporation allocates SAM® 401(k) model portfolios using load-waived and no-load funds available through Matrix's platform. The SAM® 401(k) Program is no longer available to new plans.

Clients with a SAM®, SAM® Select or Freemark Freedom Series® account that select to have allocations occur among Waddell & Reed Advisor Funds or Ivy Funds may have shares from both fund families purchased for their account due to the affiliation of these fund families.

## Quantitative Research

Legend Advisory Corporation offers quantitative investment analysis to institutions based on our proprietary neural networks. Our research is customizable and can vary from an individual signal to a stand-alone model to a comprehensive output package.

The various models available to institutions are as follows:

- The Asset Allocation Neural Network (AANN): AANN is designed to predict the performance of an asset class relative to the performance of other asset classes. AANN reviews historical data, identifies patterns and causal relationships and interprets those patterns and relationships as they relate to various asset classes. AANN is an adaptive system that uses a variety of market and economic data, including various stock market indices, global interest rates and earnings, to forecast the relative strength of a variety of domestic and foreign asset classes.
- Capitalization Model: The Capitalization Neural Network is designed to predict the relative strength of domestic small-, mid- and large-capitalization equities. The model uses a variety of market and economic data, including statistical momentum indicators.
- Fund Selector: Fund Selector is designed to identify the funds with the best potential to outperform their peers in each asset class or sector. Fund Selector utilizes technical, relative strength and momentum indicators, including variations of standard mathematical indicators (exponential smoothing and rolling analyses) and proprietary variables, to gauge fund performance consistency.
- Global Equity Model (GEM) and GEM Plus Model: The GEM and GEM Plus Neural Networks are designed to predict the relative performance of different equity asset classes across the globe. These models divide the developed global equity markets into several major categories. The models then analyze fundamental and technical indicators to forecast the relative performance of each of the regions.
- Interest Rate Forecaster: The Interest Rate Forecaster is designed to predict the direction of the 10-year U.S. Government bond. The model uses fundamental and technical indicators, including global yield spreads.

- **Optimization Model:** The Optimization Model is designed to produce optimum percentage weightings by asset class based on the performance predictions produced by AANN. The model acts as a risk control mechanism by analyzing returns, per unit of risk taken, for each asset class using historical market data.
- **Value or Growth Model:** The Value or Growth Neural Network is designed to forecast whether value or growth investing will outperform across domestic small-, mid- and large-capitalization equities. The model uses a variety of market and economic data, including statistical momentum indicators.

You should refer to the “Methods of Analysis” section of this brochure for additional information on our proprietary technology.

## **Mutual Fund Investment Services**

Legend Advisory Corporation offers a non-discretionary mutual fund investment service where advisory and brokerage services are wrapped into one account. Legend Advisory Corporation receives a portion of the total fee paid by clients in the program for providing advisory services.

### **I. Investor Advantage Program**

The Investor Advantage Program utilizes Pershing LLC’s platform, which offers a wide selection of load-waived or no-load mutual funds to clients. The Investor Advantage Program is limited to investment in open-end mutual funds only. You have complete discretion over investment decisions in your account. An Investment Adviser Representative is available to provide advice to you regarding investment decisions.

You must complete an Investor Profile before opening an account to receive our mutual fund investment services. The Investor Profile helps you determine your risk tolerance, investment objectives and financial goals so we can advise you based on your individual needs. An Investment Adviser Representative of Legend Advisory Corporation will work with you to complete the Investor Profile and help you select an appropriate investment strategy. An Investment Adviser Representative will contact you at least annually to review whether there have been any changes to your financial situation or investment objectives. Legend Advisory Corporation will provide a market

commentary, along with a list of recommended open-end mutual funds, categorized by asset class, to you on a quarterly basis.

### Selecting a Strategy

The strategies available in the Investors Advantage Program are as follows:

- **Conservative:** A Conservative Portfolio primarily seeks to maintain the value of your assets (preserve capital) and is designed for clients with a low tolerance for risk. To achieve this objective, Legend Advisory Corporation recommends that you allocate approximately 75% of assets in the account to debt funds and 25% of assets in the account to equity funds.
- **Moderate:** A Moderate Portfolio seeks to strike a balance between maintaining assets (preserving capital) and growing the value of your assets (capital growth). To achieve this objective, Legend Advisory Corporation recommends that you allocate approximately 50% of assets in the account to debt funds and 50% of assets in the account to equity funds.
- **Aggressive:** An Aggressive Portfolio primarily seeks to increase the value of your assets (capital appreciation) and is designed for clients with a high tolerance for risk. To achieve this objective, Legend Advisory Corporation recommends that you allocate approximately 25% of assets in the account to debt funds and 75% of assets in the account to equity funds.

## **Third Party Advisory Services**

Legend Advisory Corporation provides our network of Investment Advisor Representatives with access to third-party advisory services offered by unaffiliated turnkey asset management providers and third-party managed account providers.

### **I. Morningstar<sup>®</sup> Managed Portfolios<sup>SM</sup> Program**

The Morningstar<sup>®</sup> Managed Portfolios<sup>SM</sup> Program is a discretionary investment advisory program offered by Morningstar Investment Services, Inc., a federally registered

investment adviser. In the Morningstar® Managed Portfolios<sup>SM</sup> Program, services are divided between Morningstar Investment Services, Inc. and Legend Advisory Corporation:

Morningstar Investment Services, Inc.'s

Responsibilities

- Constructing portfolios by analyzing a universe of available mutual funds using quantitative and qualitative analyses.
- Continuously monitoring the portfolios within the Program, rebalancing and/or reallocating when deemed necessary.

Legend Advisory Corporation's

Responsibilities

- Assisting clients in completing their investment profile and/or other applicable account opening forms.
- Determining suitability of the program and clients' investment strategy and selected portfolio.
- Meeting with clients at least annually to review any changes in their financial situation.
- Acting as liaison between Morningstar Investment Services, Inc. and clients.

You must complete a Client Profile before opening an account in the Morningstar® Managed Portfolios<sup>SM</sup> Program. The Client Profile helps determine your risk tolerance, investment objectives and financials goals so you are placed in the portfolio that best suits your individual needs. You may impose reasonable restrictions on the investments made in your account as well as retain the right to withdraw securities or cash from your account and the right to vote, or delegate the authority to vote, proxies.

The various strategies available in the Program are as follows:

- **Asset Allocation:** The Asset Allocation Series is a range of asset allocation portfolios consisting of mutual funds strategically built to meet different investment time horizons and risk levels (e.g., Conservative to Aggressive Growth).

- **Focused Allocation:** The Focused Allocation Series is a number of portfolios consisting of mutual funds that are aligned with a particular investment objective or are concentrated in a certain asset class.
- **Retirement Income:** The Retirement Income Series is a range of portfolios consisting of mutual funds that are designed to address different distribution needs and risk tolerances during retirement.

These portfolios may include mutual funds indirectly affiliated with Legend Advisory Corporation.

The following products are available in conjunction with the various strategies described above:

- **Enhanced Cash Option:** The Enhanced Cash Option typically consists of money market and/or short-term fixed income mutual funds. The Enhanced Cash Option is typically used by those clients who desire to systematically invest into the Program. Money in the Enhanced Cash Option is not a bank deposit and therefore is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Legend Advisory Corporation is not responsible for the selection of the funds underlying the Enhanced Cash Option or for replacement of the funds. Decisions relating to the Enhanced Cash Option, such as when to invest, withdraw, hold or transfer to a portfolio are your sole responsibility. You may utilize your Investment Adviser Representative to assist you in making such decisions.

- **Enhanced Portfolio Service:** The Enhanced Portfolio Service is intended for those clients that are seeking a portfolio strategy that is tailored around their total current holdings, not just the holdings in their program account. The portfolio strategy consists of a variety of mutual funds and, unlike the advisory services provided with other strategies and products within the program, is designed specifically with a view towards a client's investment objectives, limitations and/or guidelines.

## **Sub-Advisory Services**

Legend Advisory Corporation offers sub-advisory services to other registered investment advisers who wish to utilize our artificial intelligence methodology to enhance their asset management programs. Sub-advisory services offered by Legend Advisory Corporation are generally limited to the delivery of model portfolio recommendations and do not include management of clients' assets. Legend Advisory Corporation may provide advice to clients of these institutions that differ from the advice given under Legend Advisory Corporation's asset management programs due to the unique parameters set by each investment adviser.

## **Financial Planning Services**

Legend Advisory Corporation offers different levels of financial planning services utilizing a variety of software providers to help you identify, prioritize and work toward your financial planning goals and objectives. These financial planning services vary in their scope and detail, depending on your needs and the information gathered from you. Legend Advisory Corporation's financial planning services typically include:

- Gathering information from you to help establish your current financial condition and define your financial goals;
- Development of a plan that includes financial strategies to achieve those goals; and
- Delivery of the advice or plan to you.

Plans typically provide general advice regarding some or all of the following topics, depending on your needs and circumstances and the planning software that is utilized:

- Retirement planning
- Major purchase planning
- Education planning
- Distribution planning
- Asset allocation
- Net worth analysis

- Income and survivor income planning
- Other income needs (disability, long-term care, estate, etc.)

An Investment Adviser Representative will work together with you to determine which service best meets your needs. You are responsible for selecting the level of service that is most appropriate for your circumstances. The financial plan delivered to you will seek to address your specific financial goals based on the personal and financial information you provide to Legend Advisory Corporation and your Investment Adviser Representative. The value of the financial planning services provided by Legend Advisory Corporation is dependent, in part, upon the information provided by you.

Investment Adviser Representatives of Legend Advisory Corporation may reasonably request that you provide certain financial information or documents to completely evaluate and provide you with recommendations. You are responsible for notifying your Investment Adviser Representative of any material changes to your circumstances, objectives or tolerances.

Financial planning services offered by Legend Advisory Corporation do not include recommendations to purchase or sell specific products or services for purposes of implementing a financial plan. An Investment Adviser Representative of Legend Advisory Corporation may solicit additional advisory services offered by Legend Advisory Corporation and/or offer brokerage services in his or her capacity as a Registered Representative of Legend Equities Corporation, a brokerage firm and affiliate of Legend Advisory Corporation, to assist you with implementing one or more financial planning recommendations. These advisory and brokerage services are separate and distinct from the financial planning services provided by Legend Advisory Corporation. You have complete freedom in selecting an investment adviser or broker-dealer to assist you with implementing the recommendations made in your financial plan.

## **Item 5 - Fees and Compensation**

### **Asset Management Services**

The specific amount of fees and manner in which advisory fees are charged is established in your written agreement with Legend Advisory Corporation. Legend Advisory Corporation bills its fees for our asset management services on a quarterly basis. You authorize Legend Advisory Corporation to instruct the custodian to directly debit advisory fees from your account in your



written agreement with Legend Advisory Corporation. Advisory fees may be deducted from cash holdings or by liquidating assets held in an account. Legend Advisory Corporation may waive advisory fees at our discretion. Advisory fees are calculated as described in the table below:

<b>Asset Management Service</b>	<b>Method of Billing</b>	<b>Calculation of Fees</b>	<b>Fees Prorated for Contributions and Withdrawals?</b>
Freemark Program; Managed Income Program	In Advance	Fees are based on the market value of all assets held within an account (including cash and cash equivalents), as determined by the investment or insurance company, on the last business day of the previous calendar quarter.	No
SAM <sup>®</sup> and SAM <sup>®</sup> Select Programs on Pershing LLC's platform	In Arrears	Fees are based on the average daily balance (including cash and cash equivalents). The value of an account will be calculated daily based on the net asset values, as of the close of trading, of the fund shares maintained in the account.	Yes
SAM <sup>®</sup> and SAM <sup>®</sup> Select Program not on Pershing LLC's platform; SAM <sup>®</sup> 401(k) Program;	In Arrears	Fees are based on the market value of all assets held within an account (including cash and cash equivalents), as determined by the investment or insurance company, on the last business day of the calendar quarter.	No
Neuralvision Program on Matrix's platform and ERISA accounts in the SAM <sup>®</sup> and SAM <sup>®</sup> Select Program	In Arrears	Fees are based on the market value of all assets held within an account (including cash and cash equivalents), as determined by the investment or insurance company, on the last business day of the calendar quarter.	Yes
Neuralvision Program on Security Benefit Group's platform and Schwab's platform	In Arrears	Fees are based on the market value of all assets held within an account (including cash and cash equivalents), as determined by the investment or insurance company, on the last business day of the calendar quarter.	No

Fees may not be prorated for de minimus contributions and withdrawals.

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based on the number of days advisory services are provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Refunds are calculated by dividing the total amount of fees that were deducted from an account for the applicable calendar quarter by 90 to determine a daily advisory fees rate and multiplying that daily advisory fee rate by the number of days advisory services were not provided in the applicable calendar quarter.

Legend Advisory Corporation's fees are exclusive of brokerage commissions, transaction fees, custodial fees and other related costs and expenses, which are your responsibility solely. You may incur certain charges imposed by custodians, brokers, investment and insurance companies and other third parties, such as deferred sales charges, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Mutual funds also charge management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Legend Advisory Corporation's advisory fee. You shall be responsible for payment of any and all taxes that may be due as a result of any transactions in your account.

In addition to advisory fees, you shall be responsible for paying any management and other fund-related expenses for the mutual funds in which your account assets are invested. This includes redemption fees imposed by the mutual fund or custodian as a result of a transaction-related request you initiate (for example, a partial or complete liquidation of your account). Legend Advisory Corporation's decision to reallocate a model portfolio may result in you incurring a redemption fee imposed by one or more mutual funds held in your account.

Fees for our asset management services may be higher than fees charged by other advisers who sponsor similar programs, or if you paid separately for investment advice and other services. You may purchase securities (mutual funds) outside of our program without incurring advisory fees.

Investment Adviser Representatives of Legend Advisory Corporation may also serve as Registered Representatives of Legend Equities Corporation, a brokerage firm and affiliate of Legend Advisory Corporation. Such persons, as Registered Representatives of Legend Equities Corporation, receive varying compensation from the mutual funds purchased for accounts where Legend Equities

Corporation is selected as the brokerage firm. Compensation may include sales charges, bonuses, or distribution or service fees. The receipt of such compensation, as a Registered Representative of Legend Equities Corporation, gives these Investment Adviser Representatives an incentive to recommend asset management programs that will provide them with more compensation, which presents a conflict of interest. Advisory fees are not reduced in situations where such persons, as Registered Representatives of Legend Equities Corporation, receive sales charges in addition to a portion of the advisory fees charged by Legend Advisory Corporation. You have the option of selecting an asset management program that utilizes a broker-dealer that is not affiliated with Legend Advisory Corporation. You should refer to the “Brokerage Practices” section of this brochure for additional information relating to Legend Advisory Corporation’s brokerage practices.

### Fees Schedules

Fees for Legend Advisory Corporation’s asset management services are subject to negotiation. Graduated fee schedules are typically applied on a “per account” basis and do not represent breakpoints. Assets under management include cash and cash equivalents. Compensation from loaded or load-waived mutual funds is retained by the brokerage firm utilized for a client’s account (with the exception of loaded and load-waived mutual funds purchased for clients in the SAM<sup>®</sup> and SAM<sup>®</sup> Select Programs where compensation is paid to the Registered Representative).

Legend Advisory Corporation’s fee schedules are as follows:

#### I. Freemark Program

The maximum fees for the Freemark Managed Portfolios are:

- Bond Portfolio: 1.25% annually
- Preservation Portfolio, Balanced Portfolio, Total Return Portfolio, Global Capital Appreciation Portfolio and Global Capital Growth Portfolio: 2.25% annually

The graduated fee schedule for the Bond Portfolio is:

<b>Assets Under Management</b>	<b>Maximum Management Fee</b>
\$0.00 to \$2,000,000.00	1.25% annually
\$2,000,000.01 and over	Negotiable

The graduated fee schedule for the Preservation Portfolio, Balanced Portfolio, Total Return Portfolio, Global Capital Appreciation Portfolio and Global Capital Growth Portfolio is:

<b>Assets Under Management</b>	<b>Maximum Management Fee</b>
\$0.00 to \$500,000.00	2.25% annually
\$500,000.01 to \$1,000,000.00	2.00% annually
\$1,000,000.01 to \$2,000,000.00	1.50% annually
\$2,000,000.01 and over	Negotiable

In the Freemark Freedom Series<sup>®</sup>, Investment Adviser Representatives of Legend Advisory Corporation may receive a greater portion of the advisory fees charged by Legend Advisory Corporation than they would receive by recommending other series within the Freemark Program.

## II. Managed Income Program

The graduated fee schedule for the Managed Income Program is:

<b>Assets Under Management</b>	<b>Maximum Management Fee</b>
\$0.00 to \$500,000.00	2.25% annually
\$500,000.01 to \$1,000,000.00	2.00% annually
\$1,000,000.01 to \$2,000,000.00	1.50% annually
\$2,000,000.01 and over	Negotiable

## III. Neuralvision<sup>®</sup> Program

The maximum fee for the Neuralvision<sup>®</sup> Program is: 2.25% annually

## IV. Strategic Asset Management<sup>®</sup> (SAM<sup>®</sup>) Program

The maximum fees for the SAM<sup>®</sup> Program are:

<b>Portfolio</b>	<b>Maximum Management Fee</b>
Bond Portfolio non-qualified accounts	1.25% annually
Bond Portfolio qualified accounts	0.75% annually
Preservation Portfolio, Balanced Portfolio and Total Return Portfolio non-qualified accounts	2.00% annually
Preservation Portfolio, Balanced Portfolio and Total Return Portfolio qualified accounts or with a variable annuity contract	1.5% annually

#### V. SAM<sup>®</sup> Select Program

The graduated fee schedule for non-qualified accounts in the SAM<sup>®</sup> Select Program is:

<b>Assets Under Management</b>	<b>Maximum Management Fee</b>
\$0.00 to \$150,000.00	2.25% annually
\$150,000.01 to \$500,000.00	2.00% annually
\$500,000.01 to \$1,000,000.00	1.75% annually
\$1,000,000.01 and over	1.50% annually

The graduated fee schedule for qualified accounts or a variable annuity contract in the SAM<sup>®</sup> Select Program is:

<b>Assets Under Management</b>	<b>Maximum Management Fee</b>
\$0.00 to \$150,000.00	1.75% annually
\$150,000.01 to \$500,000.00	1.50% annually
\$500,000.01 to \$1,000,000.00	1.25% annually
\$1,000,000.01 and over	1.00% annually

#### Exceptions:

- The graduated fee schedule for a Texas Optional Retirement Program qualified account in the SAM<sup>®</sup> Select Program is:

<b>Assets Under Management</b>	<b>Maximum Management Fee</b>
\$0.00 to \$500,000.00	2.00% annually
\$500,000.01 to \$1,000,000.00	1.75% annually
\$1,000,000.01 and over	1.50% annually

## VI. SAM<sup>®</sup> 401(k) Program

The maximum fee for the SAM<sup>®</sup> 401(k) Program is 1.5% annually.

## Quantitative Research

The specific amount of fees and manner in which fees are charged by Legend Advisory Corporation for quantitative research is established in an institution's written agreement with Legend Advisory Corporation. Legend Advisory Corporation's fees for quantitative research are subject to negotiation. Please refer to your agreement for a more detailed explanation of the fees applicable to our quantitative research.

## Mutual Fund Investment Services

The specific amount of fees and manner in which advisory fees are charged by Legend Advisory Corporation is established in your written agreement with Legend Advisory Corporation. Legend Advisory Corporation bills our fees for mutual fund investment services in advance on a quarterly basis. You authorize Legend Advisory Corporation to instruct the custodian to directly debit advisory fees from your account in your agreement with Legend Advisory Corporation. Advisory fees may be deducted from cash holdings or by liquidating assets held in an account. Legend Advisory Corporation may waive advisory fees at our discretion.

Advisory fees are based on the market value of all assets held within an account (including cash and cash equivalents), as determined by the investment or insurance company, on the last business day of the previous calendar quarter. Fees are not prorated for capital contributions or withdrawals made during the applicable calendar quarter.

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based on the number of days advisory services were provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Refunds are calculated by dividing the total amount of fees that were deducted from an account for the applicable calendar quarter by 90 to determine a daily advisory fee rate and multiplying the daily advisory fee rate by the number of days advisory services were not provided in the applicable calendar quarter.

In addition to advisory fees, you shall be responsible for paying any management and other fund-related expenses for the mutual funds in which you account assets are invested. This includes redemption fees imposed by the mutual fund or custodian as a result of a transaction-related request you initiate (for example, a partial or complete liquidation of your account).

Fees for our mutual fund investment program may be higher than fees charged by other advisers who sponsor similar programs, or if you paid separately for investment advice and other services. You may purchase mutual funds outside of our program without incurring advisory fees.

Fees cover advisory and brokerage services, including transaction costs. Fees are exclusive of custodial fees and other account related costs and expenses, which will be your responsibility solely. You may incur certain charges imposed by custodians, brokers, investment and insurance companies and other third parties, such as transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Mutual funds also charge management fees, which are disclosed in a mutual fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Legend Advisory Corporation's advisory fee.

Investment Adviser Representatives of Legend Advisory Corporation may also serve as Registered Representatives of Legend Equities Corporation, an affiliate of Legend Advisory Corporation and the brokerage firm utilized for the Investor Advantage Program. Registered Representatives of Legend Equities Corporation may receive additional compensation from certain mutual funds purchased for these accounts.

### Fee Schedule

#### I. Investor Advantage Program

Fees for the Investor Advantage Program are subject to negotiation. The maximum fee for the Program is 1.50% annually.

### **Third-Party Advisory Services**

#### **I. Morningstar<sup>®</sup> Managed Portfolios<sup>SM</sup> Program**

Morningstar Investment Services, Inc. bills its fees for the Morningstar<sup>®</sup> Managed Portfolios<sup>SM</sup> Program in arrears each calendar quarter. Related accounts may be combined to determine the applicable fee. Such aggregation of accounts may result in a lower total advisory fee compared to a total advisory fee calculated on each account separately. You authorize Morningstar Investment Services, Inc. in your advisory agreement to instruct the custodian to automatically debit advisory fees from your account or, upon your request, a bank account via ACH. Fees are typically deducted from the redemption proceeds of fund shares first in the short-term reserves (money market funds), then in fixed income funds and finally in equity funds. Legend Advisory Corporation accepts no responsibility for the liquidation of mutual fund shares to pay any advisory fees due. Fees are based on the average daily account value during the previous quarter. The value of an account is calculated daily based on the net asset values, as of the close of trading, of the mutual fund shares maintained in the account.

Fees for the Morningstar<sup>®</sup> Managed Portfolios<sup>SM</sup> Program consist of two parts:

- Morningstar Investment Services, Inc.'s Fee: A fee relating to services provided by Morningstar Investment Services, Inc., including discretionary investment management services, communications with you and your Investment Adviser Representative, marketing activities and services provided by Morningstar Investment Services, Inc.'s service provider; and
- Legend Advisory Corporation's Fee: A fee covering the services performed by Legend Advisory Corporation and your Investment Adviser Representative, including assisting you with account opening forms, determining suitability, conducting an annual review with you and acting as liaison between Morningstar Investment Services, Inc. and you.



### Fee Schedule

The maximum fee schedule for the Mutual Fund Asset Allocation, Focused Allocation and Retirement Income Series is as follows:

<b>Assets Under Management</b>	<b>Morningstar Investment Services, Inc.'s Maximum Net Fee</b>	<b>Legend Advisory Corporation's Maximum Fee</b>	<b>Maximum Total Management Fee</b>
\$0.00 to \$500,000.00	0.40% annually	1.10% annually)	1.50% annually
\$500,000.01 to \$1,000,000.00	0.35% annually	1.05% annually	1.40% annually
\$1,000,000.01 to \$2,000,000.00	0.30% annually	1.00% annually	1.30% annually
\$2,000,000.01 and over	0.20% annually	0.90% annually	1.10% annually

The net fee for the Enhanced Cash Option is 0.20% across all breakpoints.

Morningstar Investment Services, Inc.'s portion of the program fee may be subject to negotiation in certain situations. Morningstar Investment Services, Inc. may waive the entire portion of their advisory fee for employees of Morningstar Investment Services and its affiliates and their immediate families. Legend Advisory Corporation's portion of the program fee is subject to negotiation. Legend Advisory Corporation may waive the entire portion of our advisory fee at our discretion.

In certain situations, Morningstar Investment Services, Inc. receives an indirect benefit from those mutual funds that pay Morningstar Investment Services, Inc.'s back-office service provider shareholding services directly. This service provider reduces the monthly fee payable by Morningstar Investment Services, Inc. to it by the amount of shareholding servicing fees it receives relating to the assets in the program. To mitigate the conflict of interest this may present (e.g., incentive to select mutual funds with shareholder servicing fees), Morningstar Investment Services, Inc. deducts from its gross advisory fee at each tier a flat credit amount equal to the greater of 0.25% or the aggregate fees received by

Morningstar Investment Services, Inc.’s service provider from the mutual funds. The result (gross advisory fee minus the credit amount) is the net fee listed under the “Fee Schedules” section above.

Example:

	<u>First \$500,000</u>	<u>Next \$500,000</u>
Morningstar’s Gross Fee	0.65%	0.60%
Credit Amount	<u>(0.25%)</u>	<u>(0.25%)</u>
Morningstar’s Net Fee	0.40%	0.35%

Accounts initiated during a calendar quarter are charged for the partial quarter in which the account was opened. Accounts terminated during a calendar quarter are charged a prorated fee based on the number of days in the final quarter in which the account was open.

Fees are exclusive of brokerage commissions, transaction fees, custodial fees and other related costs and expenses, which will be your responsibility solely. You may incur certain charges imposed by custodians, brokers, investment and insurance companies and other third parties such as fees charged by managers, deferred sales charges, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Mutual funds also charge management fees, which are disclosed in a mutual fund’s prospectus. Such charges, fees and commissions are exclusive of and in addition to Legend Advisory Corporation’s portion of the advisory fee. Legend Advisory Corporation does not receive any portion of such commissions, fees and costs. You are responsible for payment of any and all taxes that may be due as a result of mutual fund share transactions in your account. Legend Advisory Corporation does not provide tax advice and does not take tax consequences into consideration when providing advisory services.

In addition to advisory fees, you shall be responsible for paying management and other fund-related expenses in mutual funds in which your account assets are invested. This includes redemption fees imposed by the mutual fund or custodian as a result of a transaction-related request you initiate (for example, a partial or complete liquidation of your account). Morningstar Investment Services, Inc.’s decision to rebalance and/or reallocate your account may result in you incurring a redemption fee imposed by one or more of the open-end mutual funds in your account.

Fees for the Morningstar® Managed Portfolios<sup>SM</sup> Program may be higher than fees charged by other advisers who sponsor similar programs, or if you paid separately for investment advice and other services. You may purchase mutual funds outside of the program without incurring advisory fees.

### **Sub-Advisory Services**

Legend Advisory Corporation will receive fees from other registered investment advisers that retain us to create portfolios for use in their proprietary asset allocation programs. Such sub-advisory fees may be higher or lower than the fees Legend Advisory Corporation receives in connection with our asset management services and may be paid in advance. The specific manner in which advisory fees are charged by Legend Advisory Corporation for sub-advisory services will be established in the investment adviser's written agreement with Legend Advisory Corporation.

### **Financial Planning Services**

The specific manner in which financial planning fees are charged by Legend Advisory Corporation is established in your written agreement with Legend Advisory Corporation. Legend Advisory Corporation bills its fees for financial planning services in advance. Legend Advisory Corporation may waive financial planning fees at our discretion. Organizational discounts may be offered for high-volume purchases of our financial planning services.

In the event the financial planning contract is terminated before services have been provided, any prepaid, unearned fees will be promptly refunded. If you terminate your contract before services are provided, Legend Advisory Corporation will mail unearned fees to your address of record via registered U.S. mail, return receipt requested, or by courier service. Refunds are calculated based on the value of the services completed and delivered. Legend Advisory Corporation will refund any the prorated, unearned portion of the fees you paid in advance. Refunds will be based on a 180 day maximum delivery period.

## Fee Schedule

The maximum fee for financial planning services is \$4,000. Fees for financial planning services are subject to negotiation. You may be charged different fees than similarly situated clients for the same services. The factors your Investment Adviser Representative may consider when determining your fee are as follows:

- The amount of time the Investment Adviser Representative expects to spend completing the particular financial planning service and providing related advice;
- The complexity of your financial planning issues and needs;
- The extensiveness and complexity of the data needed regarding your income, expenses, asset and liabilities;
- Your net worth or the value of your investment accounts and/or other assets that are the subject of the financial planning services; and
- Special circumstances related to life change, marital status, health or special income needs, and growth or decline of a personal business.

Goal-specific financial planning services may be provided for an additional fee.

You may incur certain charges, fees or commissions for purchasing a product or service recommended by an Investment Adviser Representative of Legend Advisory Corporation to implement a financial plan. Such charges, fees and commissions are exclusive of and in addition to Legend Advisory Corporation's financial planning fee. The Investment Adviser Representative may receive additional compensation in connection with such transactions that are separate and distinct from, and in addition to, the compensation the Investment Adviser Representative receives for financial planning services. You shall have complete freedom in selecting an investment adviser or broker-dealer to assist you with implementing the recommendations made in your financial plan.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

Legend Advisory Corporation does not charge performance-based fees. Performance fees are based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7 - Types of Clients

Legend Advisory Corporation provides investment advice to individuals, high net worth individuals, charitable organizations and corporations. The requirements for opening an account vary by the type of account you maintain and the program you select. Minimums for maintaining an account may be set by the underlying mutual fund or variable annuity. An initial funding of less than the minimum investment may be allowed at Legend Advisory Corporation's sole discretion. This may include a lower minimum for personal accounts of employees and Investment Adviser Representatives of Legend Advisory Corporation. For third-party advisory services, the program sponsor will dictate whether a lower minimum investment may be allowed.

### Minimum Initial Investments

I. The minimum initial investments required to open an account with Legend Advisory Corporation for our asset management services are as follows:

- SAM<sup>®</sup> and SAM<sup>®</sup> Select Program

Account Type	Account Minimum
Non-qualified account (with the exception of Federated Funds)	\$25,000
Non-qualified account with Federated funds	\$30,000
Account with a variable annuity contract	\$10,000
Qualified account (with the exception of JPMorgan funds)	SAM <sup>®</sup> : \$5,000 SAM <sup>®</sup> Select: \$10,000
Qualified account with JPMorgan funds	\$20,000
Qualified Fidelity Investments Optional Retirement Program account	\$5,000
401(k) or ERISA 403(b) account	No minimum

Subsequent investments of \$1,000 are required for clients with a variable annuity contract or non-qualified account.

- SAM<sup>®</sup> 401(k) Program: no minimum initial investment required
- Freemark Managed Program: \$100,000

### Exceptions

- Freemark Freedom Series<sup>®</sup> of Portfolios with BlackRock Funds: \$5,000
- Freemark Allegiance Series of Portfolio: \$25,000
- Managed Income Program: \$100,000
- Neuralvision<sup>®</sup> Program: no minimum initial investment required

### Exceptions

- Neuralvision<sup>®</sup> on Schwab's platform: \$25,000

II. The minimum initial investment required open an account with Legend Advisory Corporation for our mutual fund investment service is as follows:

- Investor Advantage Program: \$50,000

III. The minimum initial investment required to open an account with a third-party advisory service provider is as follows:

- Morningstar<sup>®</sup> Managed Portfolios<sup>SM</sup> Program

Account Type	Account Minimum
Asset Allocation Series, Focused Allocation Series and Retirement Income Series (with the exception of individual 401(k) accounts)	\$50,000
Individual 401(k) Accounts	\$40,000
Enhanced Portfolio Service	\$1,000,000

Subsequent investments of \$500 are required, with the exception of IRA accounts which require subsequent investments of \$250.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

Legend Advisory Corporation uses a mixture of quantitative and fundamental methods in the management of our portfolios. Our investment discipline incorporates proprietary artificial

intelligence technology to provide investment recommendations for our dynamic mutual fund asset allocation programs. The cornerstone of this discipline is our Asset Allocation Neural Network (AANN). A neural network is a computer system that uses mathematical algorithms to simulate the process of a biological neural network, such as the human brain.

AANN is a computer modeling system that classifies patterns and causal relationships and makes forecasts based on historical market data. AANN continuously tests its hypotheses and discards invalid assumptions while expectations that continue to be corroborated gain greater influence. Legend Advisory Corporation utilizes AANN as a tool to make predictions as to the relative strength of various domestic and global asset classes.

Recommendations provided by AANN are fed into our proprietary Optimization Model. The Optimization Model provides recommended percentage weightings by asset class for each model portfolio. The Optimization Model considers the investment objective(s) of a portfolio when providing such asset class weightings. The model is designed to act as a risk control mechanism by analyzing returns, per unit of risk taken, for each asset class using historical market data. Legend Advisory Corporation may not employ the Optimization Model for all advisory portfolios.

Legend Advisory Corporation utilizes additional neural networks to provide further direction and insight on specific asset classes. These neural networks are as follows:

- Capitalization Model: The Capitalization Neural Network is designed to predict the relative strength of domestic small-, mid- and large-capitalization equities.
- Global Equity Model (GEM) and GEM Plus: The GEM and GEM Plus Neural Networks are designed to predict the relative performance of different equity asset classes across the globe.
- Interest Rate Forecaster: The Interest Rate Forecaster is designed to predict the direction of the 10-year U.S. government bond.
- Value or Growth Neural Network: The Value or Growth Neural Network is designed to predict whether value or growth investing will outperform across domestic small-, mid- and large-capitalization equities.

Legend Advisory Corporation's Investment Committee uses the optimized data derived from these neural networks, along with fundamental and technical analysis, to develop asset allocation

recommendations for a model portfolio. Once asset allocation recommendations are developed, Legend Advisory Corporation employs our Fund Selector screening program to make predictions as to the mutual funds and variable annuity sub-accounts within each asset class that will perform the best. The Fund Selector program uses variations of standard mathematical equations as well as proprietary formulas that assess fund performance consistency and measure risk. Subjective methodologies are also used to identify and compensate for specific anomalies in our quantitative research. For example, in situations where a fund has changed managers in the past year, Legend Advisory Corporation may combine performance from the manager's previous fund to gain a broader perspective of their management skills.

## **Investment Strategies**

Legend Advisory Corporation uses dynamic asset allocation and diversification in an attempt to achieve the objectives of our model portfolios. Dynamic asset allocation involves dividing an investment portfolio among different asset classes, such as stocks, bonds and cash, and reallocating the portfolio to reflect changes in market expectations. Diversification is the practice of spreading money among different investments to reduce risk.

Legend Advisory Corporation may invest your assets in any asset class we deem necessary in an effort to achieve a model portfolio's objective. Such asset classes may include the following:

- Large-capitalization domestic equities
- Mid-capitalization domestic equities
- Small-capitalization domestic equities
- High quality domestic debt
- High yield domestic debt
- International equities
- International debt
- Emerging markets equities
- Emerging markets debt
- Real estate investment trusts
- Real assets



- Treasury Inflation-Protected Securities
- Agency securities and Commercial Mortgage-Backed Securities
- Cash

Legend Advisory Corporation may invest in and use certain other asset classes in seeking to achieve a model portfolio's objective(s).

## **Risk of Loss**

There is no guarantee that investment recommendations made by AANN will be accurate. AANN does not, in and of itself, make any investment decisions. Legend Advisory Corporation's Investment Committee utilizes AANN as a tool in the investment decision-making process.

Investing in securities involves risk of loss that clients should be prepared to bear. Legend Advisory Corporation cannot assure that any portfolio will increase or preserve capital or generate income, nor can we assure that the objectives of any model portfolio will be realized. Asset allocation decisions made by Legend Advisory Corporation may result in a profit or loss.

Legend Advisory Corporation may invest a portion of your assets in cash or cash equivalents to achieve a model portfolio's objective, provide ongoing distributions and/or take a defensive position.

As more investments are added to a portfolio, fees and expenses may increase, which will, in turn, lower investment returns. Diversification does not assure a profit or protect against a loss. Mutual funds purchased for your account may invest in different types of securities, such as value or growth stocks, real estate investment trusts, corporate bonds or U.S. government bonds. There are risks associated with each asset class.

Equity funds may include small-, mid- and large-capitalization stocks. Small- and mid-capitalization companies may have greater price volatility, lower trading volume and less liquidity than large-capitalization companies.

Mutual funds invested in fixed income securities have interest rate risk and credit risk. As interest rates rise, existing bond prices fall and can cause the value of an investment to decline. Changes in interest rates generally have a greater effect on bonds with longer maturities than on those with shorter maturities. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and/or interest payments.

Debt funds may include mortgage-backed securities and Treasury Inflation-Protected Securities (TIPS). Mortgage-backed securities are subject to greater declines in value than traditional fixed-income securities. This is primarily due to decreased prepayments when interest rates fall, which could lengthen the average life of a security. TIPS can provide a hedge against inflation, which helps preserve the purchasing power of the investment. Because of this inflation adjustment feature, inflation protected bonds typically have lower yields than conventional fixed rate bonds. These bonds will likely decline in price during periods of deflation, which could result in losses.

Mutual funds purchased for your account may invest in international securities. There are special risks associated with foreign investing, including currency fluctuations, economic instability and political developments. Fluctuations in foreign currency-denominated securities may be magnified by changes in foreign exchange rates. These risks may be magnified in emerging markets.

You will find additional information regarding these risks in the prospectus for each individual mutual fund held in your account. You can request a copy of a mutual fund's prospectus by contacting your brokerage firm or the individual mutual fund family directly.

Because each mutual fund within a portfolio owns different types of investments, portfolio performance will be affected by a variety of factors. The value of your account will vary from day to day as the values of the underlying investments you hold vary. Such variations generally reflect changes in interest rates, market conditions and other company and economic news. These risks may become magnified depending on how much a fund invests or uses certain strategies.

## **Item 9 - Disciplinary Information**

Legend Equities Corporation is a FINRA member brokerage firm and general insurance agency, and an affiliate of Legend Advisory Corporation. Glenn Ferris, who is a Vice President and supervised person of Legend Advisory Corporation, serves as the President of Legend Equities Corporation. On October 1, 2009, the New York State Insurance Department found Legend Equities Corporation and Mr. Ferris, as President of Legend Equities Corporation, to have violated New York State insurance laws. The New York State Insurance Department imposed a civil money penalty of more than \$2,500 on Legend Equities Corporation and Mr. Ferris as a result of these violations.

## Item 10 - Other Financial Industry Activities and Affiliations

Legend Advisory Corporation is affiliated with the following financial institutions:

- Legend Equities Corporation (also doing business as The Legend Group<sup>®</sup>), a FINRA member brokerage firm and general insurance agent
- Waddell & Reed, Inc., a registered investment adviser and FINRA member broker-dealer
- Waddell & Reed Investment Management Company, a registered investment adviser
- Ivy Investment Management Company, a registered investment adviser
- Ivy Funds Distributors, Inc., a FINRA member broker-dealer
- Fiduciary Trust Company of New Hampshire, a trust company
- Advisory Services Corporation (also known as The Legend Group<sup>®</sup>/Adserv), an administrative agent for Fiduciary Trust Company of New Hampshire

Legend Advisory Corporation's relationship with these affiliates may create a material conflict of interest with you.

Legend Equities Corporation receives additional compensation, in the form of sales charges, bonuses or distribution or service fees, when they are selected as the brokerage firm to execute transactions for clients. You have the option of selecting an asset management program that utilizes a broker-dealer that is not affiliated with Legend Advisory Corporation.

Legend Advisory Corporation offers clients the option to use Waddell & Reed Advisors Funds and Ivy Funds, exclusively, in the SAM<sup>®</sup> and SAM<sup>®</sup> Select Programs and Freemark Freedom Series<sup>®</sup>. Waddell & Reed Advisors Funds and Ivy Funds are managed by Waddell & Reed Investment Management Company and Ivy Investment Company, respectively. Legend Advisory Corporation's parent company, Waddell & Reed Financial, Inc, has a direct position of interest in these investment companies, in addition to Waddell & Reed, Inc. and Ivy Funds Distributors, Inc., the distributors of Waddell & Reed Advisors Funds and Ivy Funds. Waddell & Reed Financial, Inc. receives additional compensation, in the form of management fees, when Legend Advisory Corporation purchases shares of Waddell & Reed Advisor Funds and Ivy Funds for clients' accounts. Increased sales of shares of these funds generally result in greater revenues and profits for

Waddell & Reed Financial, Inc. Compensation received by officers, employees and Investment Adviser Representatives of Legend Advisory Corporation may be based, in part, upon the overall profitability of Waddell & Reed Financial, Inc. Clients in the SAM<sup>®</sup> and SAM<sup>®</sup> Select Programs and Freemark Freedom Series<sup>®</sup> have complete discretion over the selection of the fund family that is used for their account. Legend Advisory Corporation also offers clients the option to use non-affiliated mutual funds, exclusively, in their accounts. Legend Advisory Corporation does not recommend Waddell & Reed Advisors Funds or Ivy Funds in our asset management services that utilize a trading platform where a wide variety of mutual funds are available for clients' accounts.

Legend Advisory Corporation notifies Waddell & Reed, Inc. of any allocation recommendations for employee benefit plan accounts that hold Waddell & Reed Advisors Funds or Ivy Funds before implementing the recommendations. In situations where a reallocation will cause an increase in these funds' management fees, Waddell & Reed, Inc. will appoint an independent registered investment adviser to act on behalf of clients to determine whether the increase in fees is reasonable. Any fees paid to the independent adviser will be the responsibility of Waddell & Reed, Inc. or Legend Advisory Corporation, and will not be charged to any clients in our asset management programs.

Fiduciary Trust Company of New Hampshire and Advisory Services Corporation, as Fiduciary Trust Company of New Hampshire's administrative agent, receive additional compensation, in the form of custodial fees, when Fiduciary Trust Company of New Hampshire is utilized as custodian for certain retirement accounts in the Freemark Freedom Series<sup>®</sup>, SAM<sup>®</sup> and SAM<sup>®</sup> Select Programs and Managed Income Program. Legend Advisory Corporation lowers its annual advisory fees to offset the custodial fees charged by Fiduciary Trust Company of New Hampshire for retirement accounts in the SAM<sup>®</sup> and SAM<sup>®</sup> Select Programs. Fiduciary Trust Company of New Hampshire waives their custodian fees for retirement accounts in the Freemark Freedom Series<sup>®</sup> and Managed Income Program.

Plans that subscribe to the SAM<sup>®</sup> 401(k) Program may select Advisory Services Corporation to provide plan services. Clients in the SAM<sup>®</sup> 401(k) Program may pay additional fees for these plan services. Any plan servicing fees charged to clients in the SAM<sup>®</sup> 401(k) Program are separate and distinct from, and in addition to, the advisory fees charged by Legend Advisory Corporation.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Legend Advisory Corporation is committed to the highest standards of business conduct. The conduct of each of our supervised persons is of vital importance to the firm. Accordingly, we have adopted a Code of Ethics that establishes rules of conduct for all supervised persons of Legend Advisory Corporation that is based on the following general principles:

- The duty at all times to place the interests of clients first.
- The requirement that all personal securities transactions be conducted in such a manner to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility and in a manner that does not interfere with the portfolio transactions of any advisory client.
- The principle that investment adviser personnel should not take inappropriate advantage of their positions, or otherwise take unfair advantage of their relationship with any advisory client.
- The principle that information concerning the identity of security holdings and financial circumstances of clients is confidential.
- The principle that independence in the investment decision-making process is paramount.

Our Code of Ethics requires compliance with applicable federal and state securities laws, rules and regulations and covers such topics as fiduciary duty to clients, personal trading and gift giving and receiving, and includes a prohibition on insider trading and manipulative practices.

Legend Advisory Corporation will provide a copy of our Code of Ethics to you upon request. You may request a copy of Legend Advisory Corporation's Code of Ethics by contacting us at:

- Mail: Legend Advisory Corporation  
Attention: Compliance Department  
4600 East Park Drive, Suite 300  
Palm Beach Gardens, FL 33410
- Phone: (866) 774-8671
- E-mail: [compliance@legendadvisorycorp.com](mailto:compliance@legendadvisorycorp.com)

Legend Advisory Corporation buys and sells mutual fund shares issued by Waddell & Reed Investment Management Company and Ivy Investment Management Company for clients in the SAM<sup>®</sup> and SAM<sup>®</sup> Select Programs and Freemark Freedom Series<sup>®</sup>. Legend Advisory Corporation's parent company, Waddell & Reed Financial, Inc, has a direct position of interest in these investment companies, in addition to Waddell & Reed, Inc. and Ivy Funds Distributors, Inc., the distributors of Waddell & Reed Advisors Funds and Ivy Funds. You should refer to the "Other Financial Industry Activities and Affiliations" section of this brochure for additional information on this conflict of interest.

Legend Advisory Corporation will not affect principal or agency cross securities transactions for your account or cross trade between your account and another client's account. A principal transaction is generally defined as a transaction where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells a security to an advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker-dealer for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Legend Advisory Corporation and supervised persons of Legend Advisory Corporation may trade for their own accounts in securities which are recommended to and/or purchased for your account. Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our supervised persons will not interfere with making decisions in your best interest or implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Our Code of Ethics designates classes of securities as exempt transactions based upon a determination that such transactions would not materially interfere with your best interest. Our Code of Ethics also requires pre-clearance of certain transactions and, in certain situations, may restrict supervised persons from trading in close proximity to your trading activity. Legend Advisory Corporation periodically monitors the trading activity of certain supervised persons of Legend Advisory Corporation who (i) are deemed to have access to nonpublic information regarding any client's trading activity, (ii) are involved in making securities recommendations to clients, or (iii) have access to recommendations for clients that are nonpublic.

## **Item 12 - Brokerage Practices**

You direct Legend Advisory Corporation in your advisory agreement to use a specific brokerage firm to execute transactions in your account. Other registered investment advisers may not require that you direct them to utilize a specific broker-dealer. By directing Legend Advisory Corporation to execute transactions in your account through a specific broker-dealer, Legend Advisory Corporation may be unable to achieve the most favorable execution of your transactions. Directing us to use a specific broker-dealer may cost you more money. For example, you may pay higher brokerage commissions because Legend Advisory Corporation may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices. Since investments made in your account are limited to mutual funds and variable annuity sub-accounts, Legend Advisory Corporation will achieve best execution by purchasing shares of funds at their current net asset value.

Legend Advisory Corporation requires that you utilize a specific brokerage firm to execute transactions in your account. The brokerage firm that Legend Advisory Corporation requires will vary based on the service and program you select. Legend Advisory Corporation requires that clients utilize the following brokerage firms:

<b>Program</b>	<b>Brokerage Firm Recommended</b>
Freemark:	Varies by Program Series:
• Allegiance Series	• Fidelity Investments
• Freedom Series	• Legend Equities Corporation
• Liberty Series	• Charles Schwab
• Patriot Series	• Legend Equities Corporation
• Victory Series	• Legend Equities Corporation
Managed Income:	Varies by Program Series:
• FTC Series:	• Legend Equities Corporation
• Liberty Series:	• Charles Schwab
Neuralvision®	Varies by Platform:
• Matrix's platform	MSCS
• Security Benefit Group's platform	Legend Equities Corporation
• Schwab's platform	Charles Schwab
SAM® and SAM® Select	Varies by Account Type:
• SAM® and SAM® Select qualified and non-qualified accounts	• Legend Equities Corporation
• SAM® and SAM® Select Fidelity Investments Optional Retirement Program account	• Fidelity Investments
• ERISA accounts in SAM® and SAM® Select	• MSCS
SAM® 401(k)	MSCS
Investors Advantage	Legend Equities Corporation



Legend Equities Corporation receives additional compensation, in the form of sales charges, bonuses or distribution or service fees, when they are selected as the brokerage firm to execute transactions for clients. You should refer to the “Other Financial Industry Activities and Affiliations” section of this brochure for additional information on this conflict of interest.

Legend Advisory Corporation does not aggregate the purchase or sale of mutual funds for your account with the purchase or sale of mutual funds for other clients’ accounts. You will receive mutual fund shares at their current net asset value. Legend Advisory Corporation also does not receive research or other products or services (soft dollar benefits) in connection with your securities transactions.

### **Item 13 - Review of Accounts**

Legend Advisory Corporation’s Investment Committee reviews recommended and implemented asset allocation decisions for our asset management programs on an ongoing basis.

An Investment Adviser Representative of Legend Advisory Corporation will periodically review your account with you to determine whether there have been any changes to your circumstances, objectives or tolerances. Your Investment Adviser Representative may have you complete a new Investor Profile to help you determine if any changes to your circumstances, objectives or tolerances warrant a change to the model portfolio you selected.

If you purchased a financial plan through Legend Advisory Corporation, your Investment Adviser Representative will review your plan with you at the time of delivery, or soon thereafter.

Legend Advisory Corporation may provide you with quarterly written statements that list performance information for your account. If you wish, you may be provided with written trade confirmations for all securities transactions made within your account. You may request written trade confirmations by contacting your brokerage firm.

### **Item 14 - Client Referrals and Other Compensation**

Legend Advisory Corporation pays referral fees to other registered investment advisers for referring our asset management services to prospective clients. Legend Advisory Corporation requires that solicitors comply with any applicable federal or state laws, rules and regulations that require they be properly licensed to engage in solicitation activities.

Solicitors have a financial interest in the selection of Legend Advisory Corporation as investment adviser. These solicitors may receive up to 75% of the advisory fees paid to Legend Advisory Corporation by the clients they refer. No additional fees are assessed to these clients for solicitation activities.

## **Item 15 - Custody**

You will receive monthly and/or quarterly account statements directly from your custodian. Legend Advisory Corporation urges you to carefully review such statements and compare the account balances with the balances reflected on any statements you may receive from Legend Advisory Corporation for accuracy. Balances on our statements may vary from the statements you receive from your custodian due to differences in reporting dates or other operational factors. You should notify Legend Advisory Corporation promptly if you do not receive account statements from your custodian at least quarterly.

## **Item 16 - Investment Discretion**

Legend Advisory Corporation has discretionary authority to select the identity and amount of securities to be bought, sold or exchanged for those clients with an account in one of our asset management programs. Clients grant this authority (limited power of attorney) to Legend Advisory Corporation in their written advisory agreement. Legend Advisory Corporation exercises such discretion in a manner consistent with the investment objectives of the particular model portfolio and program selected by the client, along with any reasonable restriction imposed by the client on the management of their account. If you are subscribed to our asset management services and would like to place any restrictions on the management of your account, you may do so by contacting us, in writing, at:

Legend Advisory Corporation  
Attention: Advisory Operations Department  
4600 East Park Drive, Suite 300  
Palm Beach Gardens, FL 33410

## **Item 17 - Voting Client Securities**

Legend Advisory Corporation does not have any authority to and does not vote proxies on your behalf. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your account. Legend Advisory Corporation may provide advice to you regarding proxy voting at your request.

## **Item 18 - Financial Information**

As a registered investment adviser, Legend Advisory Corporation is required to provide you with certain financial information or disclosures about our financial condition. Legend Advisory Corporation has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, has not been the subject of a bankruptcy proceeding and does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.