



## Legend Advisory Corporation

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### Item 1 - Cover Page

# Form ADV Part 2A Appendix 1

## Wrap Fee Brochure

**May 30, 2012**

This wrap fee program 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**

This wrap fee program brochure is a new document prepared according to the SEC's requirements and rules. In the future, this section will discuss specific material changes that are made to the wrap fee program brochure and provide you with a summary of such changes. We will also reference the date of our last annual update of our wrap fee program brochure. We will provide you with a new wrap fee program brochure as necessary based on changes or new information, at any time, without charge.

Currently, our wrap fee program brochure may be requested by contacting our Compliance Department at (866) 774-8671 or [compliance@legendadvisorycorp.com](mailto:compliance@legendadvisorycorp.com). Our wrap fee program brochure is also available on our website, [www.legendadvisory.corp](http://www.legendadvisory.corp), free of charge.

Additional information about Legend Advisory Corporation is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Legend Advisory Corporation who are registered, or are required to be registered, as Investment Adviser Representatives of Legend Advisory Corporation.

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## **Item 4 - Services, Fees and Compensation**

### **Services**

Legend Advisory Corporation sponsors a wrap fee program, Investor Advantage Plus, where advisory and brokerage services are wrapped into one account. The services you receive in the Investor Advantage Plus wrap fee program include:

- Non-discretionary advice and guidance from your Investment Adviser Representative about your investments;
- Development of a target investment strategy;
- Execution, clearing and settlement of solicited and unsolicited transactions;
- Periodic statements detailing account activity; and
- The opportunity to meet with your Investment Adviser Representative as needed to review your progress towards your investment goals and to discuss changes to your investment objectives and tolerances.

The Investor Advantage Plus wrap fee program provides you with complete discretion over investment decisions in your account. You retain the right to withdraw securities or cash from your account and the right to vote, or delegate the authority to vote, proxies.

You must complete an Investor Profile before opening an account to receive our Investor Advantage Plus wrap fee program 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 and circumstances. Your Investment Adviser Representative will work with you to complete the Investor Profile and help you develop an appropriate investment strategy.

Your Investment Adviser Representative is reasonably available to advise you on investment decisions and will monitor your account activity and performance to assist you in staying on track with your investment strategy. Although your Investment Adviser Representative will furnish you with advice and guidance on individual securities, transactions in your account will take place only

upon your specific instruction. You direct Legend Advisory Corporation in your advisory agreement to use Legend Equities Corporation, a FINRA member brokerage firm and affiliate of Legend Advisory Corporation, to execute transactions in your account. By directing Legend Advisory Corporation to execute transactions in your account through Legend Equities Corporation, Legend Advisory Corporation may be unable to achieve the most favorable execution of your transactions. Directing us to use Legend Equities Corporation may cost you more money. For example, you may be able to obtain better prices for securities transactions from other brokerage firms. Commissions, however, may be charged on securities transactions executed through other brokerage firms, which are not charged for separately in the Investor Advantage wrap fee program.

Investment options for your account include U.S. publicly traded stocks, preferred stocks, exchange traded funds, open-end (no-load and load-waived) and closed-end mutual funds, unit investment trusts, bonds, American Depositary Receipts and other investments. Your Investment Adviser Representative will not provide recommendations concerning shares of common stock issued by Waddell & Reed Financial, Inc., Legend Advisory Corporation's parent company. You can obtain additional information on the securities available for investment in your account by contacting your Investment Adviser Representative.

You should consider various factors when considering whether the Investor Advantage Plus wrap fee program is appropriate for your individual needs and circumstances, including, but not limited to:

- Whether you prefer an advisory or brokerage relationship;
- Whether you prefer a discretionary or non-discretionary relationship;
- Whether you prefer a fee-based or commission-based relationship;
- The types of investment products that are available in the program;
- Whether you wish to invest exclusively in mutual funds;
- The frequency of trading activity you expect to take place in your account;
- The amount of assets you expect to allocate to cash; and

- The type and frequency of account reviews and reporting you wish to receive.

### Selecting a Strategy

Legend Advisory Corporation recommends one of the following strategies for each client in the Investor Advantage Plus wrap fee program:

- **Conservative:** A Conservative Strategy 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 securities and 25% of assets in the account to equity securities.
- **Moderate:** A Moderate Strategy 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 securities and 50% of assets in the account to equity securities.
- **Aggressive:** An Aggressive Strategy 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 securities and 75% of assets in the account to equity securities.

Your Investment Adviser Representative will advise you based on the information you provide on the Investor Profile and on his or her judgment of what may be in your best interest. Your Investment Adviser Representative may consider research from various sources, such as Morningstar®, Standard & Poor's and Dow Jones, among others, when providing individual investment recommendations, including research developed by Legend Advisory Corporation. Your Investment Adviser Representative may also consider certain model portfolios created for other programs offered by Legend Advisory Corporation as a preliminary basis in providing recommendations and guidance to you. These model portfolios are created using Legend Advisory Corporation's proprietary artificial intelligence technology. The use of such model portfolios or other research provided by Legend Advisory Corporation does not assure that the performance of

your investments will be profitable or consistent with the performance of Legend Advisory Corporation's model portfolios. You should assess the merits of any recommendation made by your Investment Adviser Representative in the context of your financial goals and circumstances. You should not rely solely upon recommendations made by your Investment Adviser Representative when making investment decisions.

Although your Investment Adviser Representative will recommend the purchase or sale of securities, you maintain full authority to direct the individual investments made in your account and may place unsolicited orders at your discretion. An unsolicited order involves purchasing or selling a security without receiving advice or guidance from your Investment Adviser Representative. Effecting unsolicited orders may limit your Investment Adviser Representative's ability to provide recommendations to help you stay on track with your investment strategy. There may be risks associated with securities you acquire on an unsolicited basis, which are your responsibility solely.

## **Fees**

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. Fees for the Investor Advantage Plus wrap fee program are subject to negotiation. The maximum fee for the Investor Advantage Plus wrap fee program is 1.75% annually.

Legend Advisory Corporation bills our fees for the Investor Advantage Plus wrap fee program in advance on a quarterly basis. You authorize Legend Advisory Corporation in your advisory agreement to instruct the custodian to directly debit wrap fees from cash holdings in your account. You further authorize Legend Advisory Corporation in your advisory agreement to liquidate assets held in your account to pay wrap fees in the event you do not hold enough cash in your account. Legend Advisory Corporation may waive wrap fees at our discretion.

Wrap fees are based on the market value of all assets held within an account (including cash and cash equivalents) on the last business day of the previous calendar quarter. Wrap 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 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 wrap fee rate and multiplying the daily wrap fee rate by the number of days services were not provided in the applicable calendar quarter.

Fees for our Investor Advantage Plus wrap fee program may be higher or lower than fees charged by other advisers who sponsor similar programs, or if you paid separately for investment advice and brokerage services. You may purchase securities outside of our wrap fee program without incurring advisory fees. A wrap fee program, such as Investor Advantage Plus, may not be the lowest cost option if you would like to restrict your investments to open-end mutual funds or other securities. Legend Advisory Corporation offers a non-discretionary mutual fund service, Investor Advantage, which is similar to the Investor Advantage Plus Program in that advisory and brokerage services are wrapped into one account, but is limited to investments in open-end mutual funds. You can obtain additional information on the Investor Advantage Program by contacting your Investment Adviser Representative.

Legend Advisory Corporation's wrap fees encompass costs for advisory and brokerage services, including securities transaction execution and clearing, and investment advice and guidance. In addition to our wrap fees, you may incur certain charges imposed by custodians, brokers, investment 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. This includes redemption fees imposed by a mutual fund or custodian as a result of a transaction-related request you initiate (for example, a partial or complete liquidation of your account). Certain securities, such as mutual funds, exchange traded funds, unit investment trusts and American Depositary Receipts, also charge internal management or operating fees. Fees for the Investor Advantage Plus wrap fee program are exclusive of such fees and other account related costs and expenses, which will be your responsibility solely.

## **Compensation**

Your Investment Adviser Representative receives compensation as a result of your participation in the Investor Advantage Plus wrap fee program. The amount of this compensation may be more than what your Investment Adviser Representative would receive if you participated in Legend Advisory Corporation's other programs or if you paid separately for investment advice, brokerage and other services. Your Investment Adviser Representative, therefore, may have a financial incentive to



recommend the Investor Advantage Plus wrap fee program over other programs or services offered by Legend Advisory Corporation or our affiliates.

Investment Adviser Representatives of Legend Advisory Corporation may also serve as Registered Representatives of Legend Equities Corporation, an affiliate of Legend Advisory Corporation. Registered Representatives of Legend Equities Corporation may receive additional compensation on certain mutual funds purchased for Investor Advantage Plus accounts when Legend Equities Corporation is utilized as broker.

## **Item 5 - Account Requirements and Types of Clients**

### **Account Requirements**

The minimum initial investment required to open an Investor Advantage Plus wrap fee program account with Legend Advisory Corporation is \$50,000. 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, Investment Adviser Representatives and Solicitors of Legend Advisory Corporation or our affiliates.

Investment minimums may be required for certain securities, such as mutual funds. You will find additional information regarding any required minimum for investments in the prospectus for each individual mutual fund held in your account. You can request a copy of a prospectus by contacting your Investment Adviser Representative or the individual mutual fund issuer directly.

### **Types of Clients**

Legend Advisory Corporation generally provides investment advice to individuals, high net worth individuals, charitable organizations and corporations.

## **Item 6 - Portfolio Manager Selection and Evaluation**

The Investor Advantage Plus wrap fee program provides you with complete discretion over investment decisions in your account. You are ultimately responsible for selecting and reviewing the investments made in your account.

Investing in securities involves risk of loss that you should be prepared to bear, including the possible loss of principal. Small- and mid-capitalization companies may have greater price volatility, lower trading volume and less liquidity than large-capitalization companies. Investments 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. Mutual funds, exchange traded funds and unit investment trusts purchased for your account may invest in different types of securities, such as value or growth stocks, real estate investment trusts, corporate bonds, U.S. government bonds or international securities. There are risks associated with each asset class. Unit investment trusts are not actively managed so securities within the trust will not be sold to take advantage of changing market conditions. 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, exchange traded fund or unit investment trust held in your account. You can request a copy of a prospectus by contacting your Investment Adviser Representative or the individual mutual fund, exchange traded fund or unit investment trust issuer or sponsor directly.

Legend Advisory Corporation cannot assure that your account will increase in value, nor can we assure that your investment objectives will be realized. As more investments are added to your account, fees and expenses may increase, which may, in turn, lower investment returns.

## **Item 7 - Client Information Provided to Portfolio Managers**

Your Investment Adviser Representative will offer to periodically review your account with you to determine whether there have been any changes to your risk tolerance, investment objectives or financial goals, and may request that you complete a new Investor Profile to help you determine if any changes to your tolerance, objectives or goals warrant a change to your investment strategy.

## **Item 8 - Client Contact with Portfolio Managers**

Your Investment Adviser Representative will be reasonably available to advise you, as needed.

## **Item 9 - Additional Information**

### **Disciplinary Information**

As a registered investment adviser, Legend Advisory Corporation is required to disclose all material facts regarding any legal or disciplinary events that are material to your evaluation of our advisory business or the integrity of our management. Legend Advisory Corporation has no material disciplinary information to disclose.

### **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 and/or Registered Representatives of Legend Equities Corporation may receive additional compensation, in the form of distribution or service fees, when they are selected as the brokerage firm to execute transactions for your account. You may purchase securities at a non-affiliated brokerage firm outside of our wrap fee program.

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 you purchase shares of Waddell & Reed Advisor Funds and Ivy Funds, and additional compensation when you purchase common stock issued by Waddell & Reed Financial, Inc., for your account. Increased sales of shares of these funds and of common stock issued by Waddell & Reed Financial, Inc. generally results 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. You have complete discretion over the selection of securities for your account and have the option to invest exclusively in securities issues by non-affiliated companies.

### **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.

Legend Advisory Corporation's Code of Ethics requires compliance with applicable federal and state securities laws, rules and regulations and covers such topics as:

- Our fiduciary duty to clients;
- Personal trading and gift giving and receiving; and
- Our 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)

Your Investment Adviser Representative may recommend mutual fund shares issued by Waddell & Reed Investment Management Company and Ivy Investment Management Company as investments for your account. 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 "Additional Information - 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 you. 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 recommendations in your best interest 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.

### **Review of Accounts**

Your Investment Adviser Representative will periodically review your account with you to determine whether there have been any changes to your circumstances, investment objectives or risk tolerances, and 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 your investment strategy. Your Investment Adviser Representative will also periodically review activity in your account and is reasonably available to advise you on investment decisions, as needed.

You will receive account statements containing a description of all activity in your account from your custodian, at least quarterly.

### **Client Referrals and Other Compensation**

Legend Advisory Corporation does not pay other registered investment advisers or third-parties for referring the Investor Advantage Plus wrap fee program to prospective clients.

### **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.