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Form ADV, Part 2A Appendix 1 Wrap Fee Program Brochure

March 30, 2011

This wrap fee program brochure provides information about the qualifications and business practices of Monarch Capital, Inc. If you have any questions about the contents of this brochure, please contact us at 310-626-9817. 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.

Any reference or use of the terms “registered investment adviser” or “registered,” does not imply that Monarch Capital, Inc. or any person associated with Monarch Capital, Inc. has achieved a certain level of skill or training.

Additional information about Monarch Capital, Inc. is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

Revised March 30, 2011

The purpose of this page is to inform you of any material changes since the previous version of this wrap fee program brochure. If you are receiving this wrap fee program brochure for the first time this section may not be relevant to you.

This wrap fee program brochure is a new document prepared according to the SEC's new requirements and rules. Therefore, this document is materially different in structure and requires certain new information that our previous wrap fee program brochure did not require. In the future, this item will discuss only specific material changes that we make to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our wrap fee program brochure.

Monarch Capital, Inc. ("MCI") reviews and updates our wrap fee program brochure at least annually to make sure that it is still current.

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ITEM 4 - SERVICES, FEES AND COMPENSATION

MCI provides continuous and regular investment supervisory services on a discretionary basis. We have the ongoing responsibility to select and/or make recommendations, based upon the objectives of the client, as to specific securities or other investments that we purchase or sell in client accounts.

Fee Schedule

MCI charges advisory fees for our services. As part of the Wrap Program, the client pays a single bundled fee to us instead of paying separate fees to us for our advisory services, and to the custodian for commissions on transactions, and other transaction-related fees. MCI then pays the custodian from the fees we charge to clients in the Wrap Program.

Our standard fee schedules (see below) may be negotiable based on a number of factors, which include but are not limited to “grandfathered” accounts, related accounts, and other structures that we may consider in special situations. We may also manage some family and related accounts without charge.

MCI generally does not offer the services provided under the Program separately. The Program may cost the client more or less than purchasing investment management and execution services separately, depending on the individual costs of investment management, commission rates, and the amount of trading activity in the client's account. MCI does not offer the same or similar services under other fee arrangements. Clients may receive the same or comparable services from other investment advisers at a lower fee.

Client's provided portfolio management under our Wrap Program are charged fees per the following fee schedule:

Fixed Income Portfolio Management

Assets under Management	Annual Advisory Fee
First \$500,000	0.50%
Next \$500,000	0.40%
Next \$1,000,000	0.35%
\$2,000,000 to 5,000,000	0.30%
\$5,000,000+	0.25%

Equities/Mutual Funds/Exchange Traded Funds (ETF's) Portfolio Management

Assets under Management	Annual Advisory Fee
First \$500,000	1.00%
Next \$500,000	0.90%
Next \$1,000,000	0.80%
\$2,000,000 to 5,000,000	0.75%
\$5,000,000+	0.70%

Additional Fee Disclosure

MCI generally requires a minimum advisory fee of \$100 per quarter to maintain an advisory account. If the regular quarterly management fee calculated based on assets under management were less than

our minimum advisory fee, we would charge the client our minimum fee. However, we may make exceptions at our discretion. MCI generally aggregates the portfolios of family members to meet the minimum portfolio size.

At our discretion, we may waive the minimum fee requirement for clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and pre-existing client relationships.

Other Fees and Expenses the Client May Pay

Clients will not incur separate transaction charges imposed by unaffiliated third parties. However, clients may pay custodial fees, charges imposed directly by a mutual fund, private fund, index fund, or exchange-traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

All fees paid to MCI for management services within the Wrap Program are separate and distinct from the fees and expenses charged by mutual funds or private funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in their portfolios are effectively paying both MCI and the mutual fund manager for the management of their assets.

Billing Method

MCI bills accounts in the Wrap Program fees quarterly in advance at the beginning of each calendar quarter. The first payment is due upon execution of the agreement, and will be assessed pro-rata and payable during the current month in the event the agreement is executed other than the first day of the new calendar month. Subsequent payments are due within the first 15 days of each calendar quarter based on the value of the portfolio as of the first day of the current calendar quarter, which may be adjusted for deposits and withdrawals during the quarter.

In determining the client's fee, we may take into account the fact that client's household has multiple accounts under management with us. We may aggregate client accounts that have family or business relationships with each other for purposes of calculating the advisory fees applicable to each client.

It is up to the client whether they wish to have the advisory fees withdrawn directly from their custodian account or pay by check. With client authorization, MCI will automatically withdraw MCI's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on MCI's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee for those clients who authorize the advisory fees to be withdrawn directly from their custodian account. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated. MCI will send an invoice to all clients who choose not to have advisory fees withdrawn directly from their custodian account. The invoice is payable upon receipt and will include the fee calculation and amount due.

Limitations on Investments

MCI may limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see **Item 8 - Client Contact With Portfolio Managers** below.

ITEM 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Account Requirements

Generally, MCI requires clients to maintain a minimum account size of \$250,000 for accounts in our Wrap Program. We may combine family accounts to meet the account size minimum. MCI may reduce or waive the account minimum requirements at our discretion.

ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION

Advisory Business

MCI's Wrap Program has been designed to help meet MCI's client's financial circumstances and investment objectives. MCI is the sponsor and currently the only portfolio manager of our Wrap Program.

Methods of Analysis, Investment Strategies and Risk of Loss

Client portfolios may consist of individual stocks or bonds; exchange traded funds; no-load funds, load-waived funds (front-end commissions are not charged) and/or alternative investments. Investment strategies may include long-term buy and hold, short-term trading, short sales and option writing strategies.

MCI may also occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. MCI may offer investment advice on any investment held by the client at the start of the advisory relationship.

MCI generally uses diversification in an effort to optimize the risk and potential return of a portfolio. Each portfolio composition is generally determined in accordance with the clients' investment objectives, risk tolerance, and time horizon. We advise clients that certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy.

Methods of Analysis for Making Recommendations

MCI may use fundamental, cyclical, charting, and/or technical analysis in the selection of individual securities. Additionally, MCI may use specific strategies or resources in the method of analysis and selection of mutual funds and fixed income securities.

The fundamental analysis that we may utilize may involve analysis of financial statements, the general financial health of companies, and /or the analysis of management or competitive advantages. We may utilize cyclical analysis that involves analysis of business cycles to find favorable conditions for buying and/or selling a security. Charting analysis involves the use of patterns in performance charts. MCI may use this charting technique to search for patterns in an effort to predict favorable conditions for buying

and/or selling a security. We may use technical analysis in an effort to determine market trends, support and resistance levels, logical profit objectives and exit points.

In analyzing mutual funds, MCI primarily use a third party consulting firm to provide us information. We review the information provided which may include key characteristics such as style, past performance, experience and track records of fund managers, and risk ratings as established by independent rating services. MCI's recommendation of other securities will be based on the client's particular needs and MCI's independent review of the appropriateness of the securities to assist the client to meet those needs.

Investment Strategies for Managing Portfolios

We track the latest investment trends, opportunities, and global market perspective. MCI may use tactical asset allocation, long-term & short-term holding, short-selling, leverage, inverse/enhanced market, and/or margin strategies in the construction and management of client portfolios.

Tactical Asset Allocation

MCI may use tactical asset allocation strategies in the management of client accounts. Tactical asset allocation is an active management portfolio strategy that re-balances the percentage of assets held in various asset categories in an effort to take advantage of market pricing anomalies or strong market sectors. This strategy provides an opportunity for MCI to create extra value by taking advantage of certain situations in the marketplace. MCI considers this a moderately active strategy since we return the portfolio to its original strategic asset mix if we achieve desired short-term profits or the perceived opportunity ends. There is no guarantee that this strategy will be successful and we make no promises or warranties as to the accuracy of our market analysis.

Long-term & Short-term Holding

MCI primarily seeks to hold securities for the longer-term, especially in taxable accounts. MCI may use short-term trades, options, and short sales based on our judgment when they are appropriate for a particular account or given market condition.

Short-Selling

MCI may use short sales to partially hedge other investments in a client's account or to seek increased returns. A client would realize a profit from a short position, if the value of the underlying security sold "short" is lower when the borrowed security is replaced ("covered") and would realize a loss if the security's value is higher when covered. The loss from a short sale that is not covered by a similar security could theoretically be unlimited depending on how much the security sold short increases in value. Clients may specifically request MCI to limit or avoid the use of short sales with their accounts.

Leverage

MCI may use leverage in an effort to increase portfolio returns, typically using call options on common stocks or stock indexes, employing leveraged ETFs and/or through margin borrowing. The amount of leverage employed, and the precise techniques used, are determined based on each client's risk tolerance and overall financial situation, as well as current and anticipated future market conditions. While the use of leverage can increase returns, it can also magnify losses. Clients may specifically request that MCI limit or avoid the use of some or all types of leverage in their accounts.

The above investment techniques may involve the use of derivative securities, including options and futures, in an effort to increase portfolio return. Securities are considered derivatives when their value is determined by or derived from the performance of an underlying asset or index. A client's account

would lose the premium and transaction costs related to the purchase of an unexercised option that expires worthless.

The price movements of derivatives may be more volatile than the price movements of other securities, and therefore may result in more than ordinary investment risk. Many of these investments may not enjoy as much liquidity as other securities, although we seek to invest in liquid derivative contracts to the extent possible and consistent with our investment strategy.

The use of the strategies discussed above may increase the recognition (for income tax purposes) of gains and losses and increase other expenses (such as brokerage charges) compared to accounts that do not use these techniques.

Inverse/Enhanced Market

MCI may also use leveraged long and short mutual funds and/or exchange traded funds that are designed to perform in either an:

1. inverse relationship to certain market indices (at a rate of one or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; or
2. enhanced relationship to certain market indices (at a rate of one or more times the actual result of the corresponding index) as an investment strategy and/or in an effort to increase gains in an advancing market.

There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct MCI, in writing, not to employ any or all such strategies for the client's accounts.

Margin

Some clients of MCI maintain margin accounts. Accordingly, we may use margin transactions to implement investment advice given to these clients. Clients are responsible for any brokerage or margin charges in addition to advisory fees.

While the use of margin borrowing can increase returns, it can also magnify losses. Clients may specifically request that MCI limit or avoid the use of margin transactions in their accounts.

Investing Involves Risk

Prior to entering into an agreement with MCI, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at anytime be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are currently unneeded and available to MCI for investment on a long-term basis. This is typically a minimum of five to seven years.

Specific Security Risks

General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include:

Professionally Managed

Mutual funds are professionally managed by investment advisers who research, select, and monitor the performance of the securities the fund purchases.

Diversification

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

Affordability

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

Liquidity

At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages:

Costs Despite Negative Returns

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

Lack of Control

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

Different Types of Funds

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

Money Market Funds

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk,” the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

Bond Funds

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

Credit Risk

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

Interest Rate Risk

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

Prepayment Risk

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to “retire” its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

Stock Funds

Although a stock fund’s value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall “market risk” poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same. For example:

Growth Funds

Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.

Income Funds

Income funds invest in stocks that pay regular dividends.

Small Cap Funds

Funds that invest in stocks of small companies involve additional risks. Smaller companies typically have higher risk of failure, and are not as established as larger blue-chip companies are. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Funds

Funds that invest in companies with smaller market capitalizations involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

Index Funds

Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all—or perhaps a representative sample—of the companies included in an index.

International Funds

International investments are subject to additional risks, including currency fluctuation, political instability, and potential illiquid markets.

Emerging Market Funds

Funds that invest in foreign securities involve special additional risks. These risks include, but are not limited to currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Funds

Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks. Funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risk.

REIT Funds

REIT Funds include REITs within the underlying fund holdings. REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and/or long-term mortgage loans. REIT investments include illiquidity and interest rate risk.

Real Estate Funds

Investments in real estate funds are subject to the risks related to direct investment in real estate, such as real estate risk, regulatory risks, concentration risk, and diversification risk.

TIPS Funds

Treasury Inflation Protection Securities (TIPS) are inflation-indexed securities structured to remove inflation risk.

Managed Futures Funds

A Managed Futures Mutual Fund invests in other funds. These underlying funds will typically employ various actively managed futures strategies that will trade various derivative instruments including options, futures, forwards, or spot contracts. Further, each of these derivative instruments may be tied to commodities, financial indices and instruments, foreign currencies, or equity indices.

Managed futures strategies involve substantial risks that differ from traditional mutual funds. Each underlying fund is subject to specific risks, depending on the nature of the fund. These risks could include liquidity risk, sector risk, and foreign currency risk, as well as risks associated with fixed income securities, commodities and other derivatives. The strategy of investing in underlying funds could affect the timing, amount, and character of distributions to you and therefore may increase the amount of taxes you pay.

Each underlying fund is subject to investment advisory and other expenses, including potential performance fees, which the Managed Futures Fund indirectly pays. Your cost of investing in a Managed Futures Fund will be higher than the cost of investing directly in underlying funds and may be higher than other mutual funds that invest directly in stocks and bonds. You will indirectly bear fees and expenses charged by the underlying funds in addition to the Managed Futures Fund's direct fees and expenses. Each underlying fund will operate independently and pay management and performance based fees to each manager. There could be periods in which one or more underlying fund managers receive fees even though the fund has a loss for the period.

Tax Consequences of Mutual Funds

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may have to pay taxes each year on *the fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve returns similar to a particular market

index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

Equity Securities

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of stocks and the income they generate (such as dividends) fluctuate based on, among other things, events specific to the company that issued the shares, conditions affecting the general economy and overall market changes, changes or weakness in the business sector the company does business in, and other factors.

Small Capitalization Equity Securities

Investing in smaller companies may pose additional risks as it is often more difficult to value or dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

Options

An option is the right either to buy or sell a specified amount or value of a particular underlying interest at a fixed exercise price by exercising the option before its specified expiration date. An option which gives a right to buy is a call option. An option which gives a right to sell is a put option. Calls and puts are distinct types of options and the buying or selling of one type does not involve the other.

Options may involve certain costs and risk such as liquidity, interest rate, market, credit, and the risk that a position could not be closed when most favorable. Selling covered call options may place a limit on upside gains, while selling put options may result in the purchase of a security at a price higher than the current market price.

Debt Securities (Bonds)

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Certain additional risk factors relating to debt securities include:

Reinvestment Risk

When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

Inflation Risk

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

Interest Rate and Market Risk

Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

Call Risk

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

Liquidity and Valuation Risk

There may be little trading in the secondary market for particular debt securities, which may affect adversely the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

It may be possible to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that we will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

Bond rating agencies may assign modifiers (such as +/-) to ratings categories to signify the relative position of a credit within the rating category. Unless we state otherwise, clients should include any security within that category without considering the modifier when reading their investment policies based on ratings categories.

Municipal Bonds

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption

risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries risk unique to these types of bonds, which may include:

Legislative Risk

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

Tax-Bracket Changes

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

Liquidity Risk

The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Municipal bonds may be less liquid than other bonds.

Credit Risk

Credit risk includes the risk that a borrower will be unable to make interest or principal payments when they are due and therefore default. To reduce investor concern, insurance policies that guarantee repayment in the event of default back many municipal bonds.

General Obligation vs. Revenue Bonds

Typically, investors consider General Obligation bonds to be safer than Revenue bonds since the full faith and credit of the issuer backs the interest and principal payments. With revenue bonds, the interest and principal are dependent upon the revenues paid by users of the facility or service. Frequently the issuers of revenue bonds are either private sector corporations (e.g. hospitals) or entities that exist, often in local monopoly form, to provide a public service (e.g. power utilities or public transportation authorities). Thus the thought is that the consumer spending that provides the funding or income stream for revenue bond issuers may be more vulnerable to changes in consumer tastes or a general economic downturn compared to a state or city's ability to raise taxes to pay for its General Obligation commitments.

Pass-through Securities

We may invest client's accounts in various debt obligations backed by pools of mortgages or other assets including, but not limited to, loans on single family residences, home equity loans, mortgages on commercial buildings, credit card receivables and leases on airplanes or other equipment. Principal and interest payments made on the underlying asset pools backing these obligations typically pass through to investors, net of any fees paid to any insurer or any guarantor of the securities. Pass-through securities may have either fixed or adjustable coupons. These securities include:

Mortgage-Backed Securities

U.S. government agencies and government-sponsored entities, such as Ginnie Mae, Fannie Mae, and Freddie Mac, and other private entities issue mortgage-backed securities. The payment of interest and principal on mortgage-backed obligations issued by U.S. government agencies may be guaranteed by the full faith and credit of the U.S. government (in the case of Ginnie Mae), or may be guaranteed by the issuer (in the case of Fannie Mae and Freddie Mac). However, these guarantees do not apply to the market prices and yields of these securities, which vary with changes in interest rates.

Private entities that issue mortgage-backed securities structure them similarly to those issued by U.S. government agencies. However, U.S. government agencies do not guarantee securities and the underlying mortgages issued by private entities. Structuring of these securities generally includes one or more types of credit enhancements such as insurance or letters of credit issued by private companies. Mortgage-backed securities generally permit borrowers to prepay their underlying mortgages. Prepayments can alter the effective maturity of these instruments.

Collateralized Mortgage Obligations (CMOS)

A pool of mortgages or mortgage loans usually backs a CMO, which divides into two or more separate bond issues. Agency mortgages back CMOs issued by U.S. government agencies, while either government agency mortgages or private mortgages back privately issued CMOs. Payments of principal and interest pass through to each bond issue at varying schedules resulting in bonds with different coupons, effective maturities, and sensitivities to interest rates. Issuers may structure CMOs to magnify the impact of changing prepayment rates on the effective maturities of certain issues of these securities when interest rates change. CMOs may be less liquid or may exhibit greater price volatility than other types of mortgage or asset-backed securities.

Commercial Mortgage-Backed Securities

Mortgages on commercial property, such as hotels, office buildings, retail stores, hospitals, and other commercial buildings back commercial mortgage-backed securities. These securities may have a lower prepayment uncertainty than other mortgage-related securities because commercial mortgage loans generally prohibit or impose penalties on prepayments of principal. In addition, issuers often structure commercial mortgage-related securities with some form of credit enhancement to protect against potential losses on the underlying mortgage loans. Many of the risks of investing in commercial mortgage-backed securities reflect the risks of investing in the real estate securing the underlying mortgage loans, including the effects of local and other economic conditions on real estate markets, the ability of tenants to make rental payments, and the ability of a property to attract and retain tenants. Commercial mortgage-backed securities may be less liquid or exhibit greater price volatility than other types of mortgage or asset-backed securities.

Asset-Backed Securities

Assets such as credit card, automobile or consumer loan receivables, retail installment loans, or participations in pools of leases back asset-backed securities. Credit support for these securities can tie to the underlying assets of the security. Third parties can also provide credit enhancements. The values of these securities are sensitive to changes in the credit quality of the underlying collateral, the credit strength of the credit enhancement, changes in interest rates and at times the financial condition of the issuer. Some asset-backed securities also may receive prepayments that can change their effective maturities.

Inflation-indexed Bonds

We may invest for client accounts in inflation-indexed bonds issued by governments, their agencies or instrumentalities and corporations. The principal amount of an inflation-indexed bond adjusts to changes in the level of the consumer price index. In the case of U.S. Treasury inflation-indexed bonds, there is a guarantee on repayment of the original bond principal upon maturity (as adjusted for inflation). Therefore, the principal amount of such bonds cannot fall below par even during a period of deflation. However, there is no guarantee on the current market value of these bonds so they fluctuate with the rise and fall of yields. In certain jurisdictions outside the United States, there is no guarantee on the repayment of the original bond principal upon the maturity of an inflation-indexed bond. This causes

the amount of the bond repaid at maturity to be less than par. The interest rate for inflation-indexed bonds is fixed at issuance as a percentage of this adjustable principal. Accordingly, the actual interest income may both rise and fall as the principal amount of the bonds adjusts in response to movements of the consumer price index. For example, typically interest income would rise during a period of inflation and fall during a period of deflation.

Real Estate Investment Trusts

We may invest for client accounts in securities issued by real estate investment trusts (REITs), which primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values of REITs. Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

Private Funds

A private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments. In almost all cases, a private fund is a private investment vehicle that is typically not registered under federal or state securities laws. So that private funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private funds management fees typically include a base management fee along with a performance component. In many cases, the fund's managers may become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short. The PPM covers important information for investors and investors should review this document carefully and should consider conducting additional due diligence before investing in the private fund. The primary risks of private funds include the following:

1. Private funds do not sell publicly and are therefore illiquid. An investor may not be able to exit a private fund or sell its interests in the fund before the fund closes.
2. Private funds are subject to various other risks depending upon the types of securities that the private fund invests in or the type of business issuing the private placement.

Cash and Cash Equivalents

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

Voting Client Securities

Proxy Voting

MCI does not accept or have the authority to vote client securities. MCI will not be deemed have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

Mutual Funds

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

Class Actions

MCI does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

MCI collects information from clients about their financial situation, goals, and risk tolerance. Clients are encouraged to contact MCI whenever this information changes.

ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS

We have no restrictions on a client's ability to contact the Wrap Program's portfolio manager.

ITEM 9 - ADDITIONAL INFORMATION

Code of Ethics

MCI believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. MCI's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

MCI's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. MCI's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, prohibitions of insider trading, and adherence to applicable federal securities laws. Additionally, individuals who formulate investment advice for clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities are subject to personal trading policies governed by the Code of Ethics (see below).

MCI will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

Personal Trading Practices

MCI and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for a client's account. MCI and our personnel may purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g.,

warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients. Our personnel seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment recommendations prior to and in preference to accounts of MCI and our personnel.
2. We prohibit the purchase or sale of any individual stock or bond for either MCI or our personnel prior to a transaction(s) being implemented for an advisory account.
 - a. However, open-end mutual funds and/or the investment sub-accounts which may comprise of variable insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds and/or variable insurance products are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by our policies and procedures.
3. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with MCI's records.
4. MCI requires our personnel to report personal securities transactions on a quarterly basis.

Brokerage and Custody of Program Accounts

MCI requires clients to open one or more custodian accounts in their own name at a custodian of the client's choice. MCI has a relationship with Fidelity Institutional Wealth Services ("FIWS") through Fidelity Brokerage Services LLC, ("Fidelity"), members FINRA/SIPC. These firms will provide custody and execution services in accordance with the terms of the Wrap Program. MCI reasonably believes in the case of managed accounts in the Wrap Program that FBS' commission and transaction costs, as well as professionalism, allow MCI to seek best execution and competitive prices.

MCI will direct transactions for Wrap Program Accounts to broker-dealers that we select, unless the client gives specific directions otherwise. In directing or recommending brokerage, MCI seeks "best execution" for client accounts, which is a combination of a number of judgmental factors including price, execution quality and client needs. Recognizing the value of these judgmental factors, brokers selected or recommended may charge commissions that are higher than the lowest commissions that might otherwise be available.

Research and Other Soft Dollar Benefits

Fidelity makes available to us other products and services that may benefit MCI but may not directly benefit our clients' accounts. These types of services will help us in managing and administering client accounts. These include software and other technology that provide access to client account data (i.e.

trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our fees from clients' accounts; and assist with back-office functions, record keeping, and client reporting. Many of these services may be used to service all or a substantial number of our accounts. We place trades for our clients' accounts subject to our duty to seek best execution and other fiduciary duties. We may use broker-dealers other than Fidelity to execute trades for client accounts maintained at Fidelity, but this practice may result in additional costs to clients so that we are more likely to place trades through Fidelity rather than other broker-dealers. Fidelity's execution quality may be different from other broker-dealers.

Fidelity may also provide other benefits such as educational events, conferences on practice management, regulatory compliance, information technology and business success. Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to MCI.

As part of our fiduciary duties to clients, MCI endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by MCI or our personnel in and of itself creates a potential conflict of interest and may indirectly influence MCI's recommendation of Fidelity for custody and brokerage services.

Participation or Interest in Client Transactions

The below item represents a situation where a conflict of interest may exist between our client and us:

Cross Transactions

At times, a client may need to sell a security that we think is a good fit for another client's account. In this case, we may internally cross the security from the account of the selling client to the buying client's account. We will only do this when the proposed transaction is in the best interests of both clients. We do not "dump" a security into a client's portfolio just because another client needs to sell, nor do we decide to sell a security from one client's account just because another client needs a similar security. Usually, this situation comes up with fixed income securities where we can get a better deal for both clients by crossing the security instead of going into the open market to complete separate transactions.

The price for a cross transaction will be determined by an independent broker-dealer, and is usually the mid-point between the best bid and offer prices available for the size of the transaction. We will also take into account any additional fees charged to cross the security to ensure that the transaction is still appropriate for both clients.

We do not act as broker for any cross transactions effected for clients, and will never receive any commissions or other compensation for these trades (other than our normal advisory fees for managing the accounts).

Review of Accounts

We manage portfolios on a continuous basis and generally review all positions in client accounts at least monthly. We offer account reviews to clients on an annual basis. Clients may choose to receive reviews in person, by telephone conference, or via questionnaire. We expect clients to notify us of any changes in their financial situation, investment objectives, or account restrictions.

Michael A. Horowitz, President of MCI, conducts all reviews based on a variety of factors. These factors may include but are not limited to stated investment objectives, economic environment, outlook for the securities markets, and the merits of the securities in the accounts.

In addition, we may conduct a special review of an account based one or more of the following:

1. a change in the client's investment objectives, guidelines and/or financial situation;
2. changes in diversification;
3. tax considerations; or
4. material cash deposits or withdrawals.

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. MCI provides additional reports to clients in the program, which are available online and posted daily. We will provide clients with username and password information to access the reports online.

Client Referrals and Other Compensation

Fidelity Support Products and Services

We receive an economic benefit from Fidelity in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Fidelity. These products and services, how they benefit us, and the related conflicts of interest are described above (**Brokerage Practices**). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of Fidelity's products and services to us.

Solicitor Arrangements

If an unaffiliated or an affiliated solicitor introduces a client to MCI, we may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements.

If an unaffiliated solicitor introduces a client to MCI, that solicitor will disclose the nature of the solicitor relationship with MCI at the time of the solicitation. In addition, the solicitor will provide each prospective client with a copy of this brochure, and a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between MCI and the solicitor, including the compensation the solicitor will receive from MCI. Any affiliated solicitor of MCI will disclose the nature of the relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this brochure.

Professional Referrals

MCI may refer clients to unaffiliated professionals for specific needs, such as mortgage brokerage, real estate sales, attorneys and accountants. In turn, these professionals may refer clients to MCI for investment services. At MCI, we may have agreements with individuals or company that we refer clients to and we may receive compensation for these referrals. MCI only refers clients to professionals we believe are competent and qualified in their field. It is ultimately the client's responsibility to review the provider. We will generally provide the client with a list of professionals that the client can contact, and it is solely the client's decision whether or not to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and MCI has no control over the services provided by another firm. Clients who chose to engage these professionals will sign a

separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by MCI.

If the client desires, MCI will work with these professionals or the client's other advisers (such as an accountant, attorney, or other investment adviser) to help ensure that the provider understands services MCI is providing and to coordinate services for the client. MCI will never share information with an unaffiliated professional unless first authorized by the client.

Disciplinary Information

MCI does not have any disciplinary information to disclose.

Other Financial Industry Activities and Affiliations

Registered Representative of Unaffiliated Broker-Dealer

MCI may not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. However, MCI's Advisory Representatives, as brokers or agents of Purshe Kaplan Sterling Investments, ("PKS Investments") a FINRA registered broker/dealer, may make security recommendations, offer investment products and/or effect securities transactions for brokerage clients of PKS Investments. When effecting transactions these representatives may receive compensation, commissions and/or trailing 12b-1 fees from PKS Investments based on the security recommendations, investment products offered and/or securities transactions effected for brokerage clients of PKS Investments. The services of these individuals are separate and distinct from MCI's services. We do not receive transaction related compensation from MCI's advisory clients so we do not have a conflict of interest.

Dual Registration as Insurance Agency

Monarch Capital, Inc., doing business as MCI Insurance Solutions and MCI Insurance Services, is a licensed insurance agency in California and New York. Certain Associated Persons of MCI are also are licensed insurance agents and may recommend the purchase of insurance products as appropriate. MCI and our agents may sell insurance products to advisory clients and receive commissions on the sale of insurance products. The insurance commissions are separate from and in addition to any advisory fees that a client may pay to MCI for investment advisory services. This has the potential to present a conflict of interest between MCI and the client. Clients are under no obligation to act on MCI's or our personnel's insurance recommendations or to effect the transactions through MCI or our personnel if they decide to follow the recommendations. In all cases, we fully disclose insurance commissions to the client.

Financial Information

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. MCI does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.