

Monarch Capital, Inc.

9301 Wilshire Boulevard, Suite 613
Beverly Hills, CA 90210
310-626-9817

www.monarchcapitalinc.com

Form ADV, Part 2A Appendix 1 Wrap Fee Program Brochure Third-Party Portfolio Management Services

July 20, 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 July 20, 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 use our discretionary authority to refer clients to certain State or SEC registered third-party advisers. In order to select the third-party adviser we will typically gather information from each client to understand their financial situation, investment objectives, and reasonable restrictions they want imposed on the management of their account. We will not offer advice on any specific securities or other investments in connection with this service.

Fee Schedule

MCI charges advisory fees for our services. As part of the Third-Party Portfolio Management Services Program (the “Program”), the client pays a single bundled fee to us instead of paying separate fees to us for our advisory services, to the third-party advisers for their management fees, to the custodian for commissions on transactions, and other transaction-related fees. MCI then pays the third-party adviser and custodian from the fees we charge to clients who are in the 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.

Clients provided portfolio management under the Program are charged fees per the following fee schedules:

Fixed Income Portfolio Management

Assets under Management	Annual Advisory Fee
First \$500,000	0.70%
Next \$500,000	0.60%
Next \$1,000,000	0.50%
\$2,000,000+	0.40%

Mutual Funds/Exchange Traded Funds (ETF's)

Assets under Management	Annual Advisory Fee
First \$100,000	1.00%
Next \$400,000	0.80%
Next \$500,000	0.65%
\$1,000,000+	0.50%

Equities

Assets under Management	Annual Advisory Fee
First \$500,000	1.25%

Next \$500,000	1.00%
Next \$1,000,000	0.90%
\$2,000,000 to 5,000,000	0.80%
\$5,000,000+	0.70%

The fee schedule above includes the fees charged by third-party advisers. The third-party advisers do not pay MCI. The fees above are paid directly to MCI. MCI is then responsible for paying the management fees for the services of third-party advisers. The fees that MCI pays to third-party advisers ranges from 25% to 60% of the total fees paid to MCI from clients.

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 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 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 the Program. We may combine family accounts to meet the account size minimum. MCI may reduce or waive the account minimum requirements at our discretion.

Types of Clients

MCI generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other organizations.

ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION

Methods of Analysis

MCI's Program has been designed to help meet MCI's client's financial circumstances and investment objectives. MCI is the sponsor of the Program and selects the third-party advisers. We recommend other investment advisers based on the client's investment objectives and financial situation, and the other investment adviser's management style. When recommending third-party investment advisers we may review key characteristics such as historical performance, consistency of returns, risk level and economic conditions. Performance should be calculated according to industry best practices however, we do not require performance to be calculated to any specific methodology. We typically rely on a third-party consulting firm's due diligence that they conduct on the third-party advisers that MCI recommends. All investment advisers that we recommend are independent and not related to MCI.

We will not offer advice on any specific securities or other investments in connection with this service. The third-party adviser's determine the client portfolios, which 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.

Risk of Loss

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.

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.

Third-Party Adviser's Strategies and Risks

The third-party advisers that MCI recommends utilize their own investment process and methods of analysis. The strategies the managers use and securities they invest in may have different or additional risks than those described in this brochure. Clients can find more information about the strategies and related risks of the third-party advisers in ***Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*** in each third-party advisers' Form ADV disclosure brochure.

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.

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. Initially and when changes are made MCI will communicate to each applicable third-party adviser restrictions that clients place on portfolios. Typically, MCI will determine the allocation and rebalance portfolios as necessary. MCI will notify third-party advisers of cash inflows and outflows that clients make.

ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS

We have no restrictions on a client's ability to contact the third-party advisers that are used within the Program.

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 Program. MCI reasonably believes in the case of managed accounts in the Program that FBS' commission and transaction costs, as well as professionalism, allow MCI to seek best execution and competitive prices.

MCI will instruct the third-party advisers to direct transactions for Program Accounts to broker-dealers that they select, unless the client gives specific directions otherwise. In directing or recommending brokerage, third-party advisers seek "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. Clients can find more information about the best execution practices of the third-party advisers in **Item 12 – Brokerage Practices** in each third-party advisers' Form ADV disclosure brochure.

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.

Review of Accounts

We manage portfolios on a continuous basis and generally review 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. 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.