



## Item 1. Cover Page

### **Sovereign Legacy, Inc. Monarch Wrap Program Brochure**

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**This wrap fee program brochure provides information about the qualifications and business practices of Sovereign Legacy, Inc. If you have any questions about the contents of this brochure, please contact us at 407-339-4015. 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 Sovereign Legacy, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2. Material Changes

03/31/2014 – Item 4, Services, Fees and Compensation was updated to expand the number of investment philosophies used to six from three.

03/31/2014 – Item 4, Services, Fees and Compensation was updated to include details regarding the new Monarch Dynamic Growth Portfolio

03/31/2014 – Item 4, Services, Fees and Compensation was updated to include details regarding the new Monarch Growth Portfolio

03/31/2014 – Item 4, Services, Fees and Compensation was updated to include details regarding the new Monarch Short-Term Income Portfolio

03/31/2014 – Item 4, Services, Fees and Compensation was updated to include allocation and benchmark changes to the Monarch Income & Growth Portfolio.

03/31/2014 – Item 4, Services, Fees and Compensation was updated to include allocation and benchmark details regarding the renamed Monarch Growth Portfolio to the Monarch Growth & Income Portfolio.

03/31/2014 – Item 4, Services, Fees and Compensation was updated to include allocation and benchmark details regarding the renamed Monarch Guardian Income & Growth Portfolio to the Monarch Balanced Income Portfolio.

The material changes discussed above are only those changes that have been made to this wrap fee program brochure since the firm's last annual update of the brochure. The date of the last annual update of the wrap fee program brochure was April 1, 2013.

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## Item 4. Services, Fees and Compensation

Sovereign Legacy Inc.'s (the "Advisor") Monarch Wrap Program provides six Investment Philosophies using an all-inclusive fee structure designed to address the investment needs of investors with different investment objectives and risk profiles. They are the Monarch Dynamic Growth Portfolio, Monarch Growth Portfolio, The Monarch Growth & Income Portfolio, Monarch Income & Growth Portfolio, Monarch Balanced Income Portfolio and the Monarch Short-Term Income Portfolio. Following is a discussion of each of these investment portfolios.

### **Monarch Dynamic Growth Portfolio Investment Philosophy**

The Monarch Dynamic Growth Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor will inform Investor of scheduled changes recommended for the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

### **Investment and Allocation Objectives**

The specific objectives for these assets shall be to achieve capital appreciation while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of at least 10 years) equal to the S&P 500 Index PR<sup>®2</sup>. The equity allocation range of the portfolio will vary between thirty to eighty five percent.

### **Performance Benchmark**

The benchmark for this portfolio will be:

- S&P 500 Index PR<sup>®2</sup>

### **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be in excess of ten years. Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

## **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

1. Financial ability to accept risk within the investment program, and;
2. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment calculator to determine his/her risk profile or has rated his/her own risk profile as Aggressive. Accordingly, The Financial Trade Center™ WRAP model which best corresponds to this description is the Monarch Dynamic Growth Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 40% in a given year.

## **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 1% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

## **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

### **Permitted Asset Classes**

1. Cash and cash equivalents
2. Fixed Income—Domestic Bonds
3. Fixed Income—Non-U.S. Bonds

4. Equities—U.S.
5. Equities—Non-U.S.
6. Equities—Emerging Markets
7. Equities—REITs
8. Equipment Leasing
9. Mortgages

### **Permitted Security Types**

1. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
2. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
3. Individual Bonds, as long as they are rated “A” or better and traded on a major U.S. exchange.
4. Closed-end funds and Separately Managed Accounts.
5. Deferred Annuities issued by an insurance company with an A.M Best rating for financial strength of “A-” or better.
6. Leveraged Transactions

### **Prohibited Asset Classes and/or Security Types**

1. Venture Capital
2. Purchases of Letter Stock, Private Placements, or direct payments.
3. Puts, calls, straddles, or other option strategies, except as permitted above.
4. Purchases of real estate, with the exception of REITs.

### **Monarch Growth Portfolio Investment Philosophy**

The Monarch Growth Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor will inform Investor of scheduled changes recommended for

the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

### **Investment and Allocation Objectives**

The specific objectives for these assets shall be to achieve asset growth while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of at least 10 years) equal to the S&P 500 Index PR<sup>®2</sup>. The equity allocation range of the portfolio will vary between thirty to eighty five percent.

### **Performance Benchmark**

The benchmark for this portfolio will be:

- S&P 500 Index PR<sup>®2</sup>

### **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be in excess of ten years. Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

### **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

3. Financial ability to accept risk within the investment program, and;
4. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment calculator to determine his/her risk profile or has rated his/her own risk profile as Moderately Aggressive. Accordingly, The Financial Trade Center™ WRAP model which best

corresponds to this description is the Monarch Growth Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 30% in a given year.

### **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 2% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

### **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

#### **Permitted Asset Classes**

10. Cash and cash equivalents
11. Fixed Income—Domestic Bonds
12. Fixed Income—Non-U.S. Bonds
13. Equities—U.S.
14. Equities—Non-U.S.
15. Equities—Emerging Markets
16. Equities—REITs
17. Equipment Leasing
18. Mortgages

#### **Permitted Security Types**

7. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
8. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
9. Individual Bonds, as long as they are rated "A" or better and traded on a major U.S. exchange.
10. Closed-end funds and Separately Managed Accounts.
11. Deferred Annuities issued by an insurance company with an A.M Best rating for financial strength of "A-" or better.
12. Leveraged Transactions

#### **Prohibited Asset Classes and/or Security Types**

5. Venture Capital



6. Purchases of Letter Stock, Private Placements, or direct payments.
7. Puts, calls, straddles, or other option strategies, except as permitted above.
8. Purchases of real estate, with the exception of REITs.

## **Monarch Growth & Income Portfolio Investment Philosophy**

The Monarch Growth & Income Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor will inform Investor of scheduled changes recommended for the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

## **Investment and Allocation Objectives**

The specific objectives for these assets shall be to achieve growth with a secondary focus on income while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of at least 10 years) equal to the performance benchmark described below. The equity allocation range of the portfolio will vary between twenty-five to seventy five percent.

## **Performance Benchmark**

The blended benchmark for this portfolio will be:

- 65% performance of the S&P 500 Index PR<sup>®2</sup>
- 35% performance of the Barclays Aggregate U.S. Bond Index<sup>®</sup>

## **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be in excess of ten years. Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that

the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

### **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

5. Financial ability to accept risk within the investment program, and;
6. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment calculator to determine his/her risk profile or has rated his/her own risk profile as Moderate. Accordingly, The Financial Trade Center™ WRAP model which best corresponds to this description is the Monarch Growth & Income Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 25% in a given year.

### **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 3% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

### **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

#### **Permitted Asset Classes**

19. Cash and cash equivalents
20. Fixed Income—Domestic Bonds
21. Fixed Income—Non-U.S. Bonds
22. Equities—U.S.
23. Equities—Non-U.S.
24. Equities—Emerging Markets
25. Equities—REITs

- 26. Equipment Leasing
- 27. Mortgages

### **Permitted Security Types**

- 13. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
- 14. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
- 15. Individual Bonds, as long as they are rated “A” or better and traded on a major U.S. exchange.
- 16. Closed-end funds and Separately Managed Accounts.
- 17. Deferred Annuities issued by an insurance company with an A.M Best rating for financial strength of “A-” or better.
- 18. Leveraged Transactions

### **Prohibited Asset Classes and/or Security Types**

- 9. Venture Capital
- 10. Purchases of Letter Stock, Private Placements, or direct payments.
- 11. Puts, calls, straddles, or other option strategies, except as permitted above.
- 12. Purchases of real estate, with the exception of REITs.

### **Monarch Income & Growth Portfolio Investment Philosophy**

The Monarch Income & Growth Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor will inform Investor of scheduled changes recommended for the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

## **Investment and Allocation Objectives**

The specific objectives for these assets shall be to provide current income with a secondary focus of moderate growth while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of at least 10 years) equal to the performance benchmark described below. The equity allocation range of the portfolio will vary between twenty to seventy percent.

## **Performance Benchmark**

The blended benchmark for this portfolio will be:

- 50% performance of the S&P 500 Index PR<sup>®2</sup>
- 50% performance of the Barclays U.S. Aggregate Bond TR Index<sup>®</sup>

## **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be in excess of ten years. Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

## **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

7. Financial ability to accept risk within the investment program, and;
8. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center<sup>™</sup> investment calculator to determine his/her risk profile or has rated his/her own risk profile as Moderately Conservative. Accordingly, The Financial Trade Center<sup>™</sup> WRAP model which best corresponds to this description is the Monarch Income & Growth Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 20% in a given year.

## **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 4% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

### **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

### **Permitted Asset Classes**

- 28. Cash and cash equivalents
- 29. Fixed Income—Domestic Bonds
- 30. Fixed Income—Non-U.S. Bonds
- 31. Equities—U.S.
- 32. Equities—Non-U.S.
- 33. Equities—Emerging Markets
- 34. Equities—REITs
- 35. Equipment Leasing
- 36. Mortgages

### **Permitted Security Types**

- 19. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
- 20. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
- 21. Individual Bonds, as long as they are rated "A" or better and traded on a major U.S. exchange.
- 22. Closed-end funds and Separately Managed Accounts.
- 23. Deferred Annuities issued by an insurance company with an A.M Best rating for financial strength of "A-" or better.
- 24. Leveraged Transactions

### **Prohibited Asset Classes and/or Security Types**

- 13. Venture Capital
- 14. Purchases of Letter Stock, Private Placements, or direct payments.
- 15. Puts, calls, straddles, or other option strategies, except as permitted above.
- 16. Purchases of real estate, with the exception of REITs.

### **Monarch Balanced Income Portfolio Investment Philosophy**

The Monarch Balanced Income Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor will inform Investor of scheduled changes recommended for the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

### **Investment and Allocation Objectives**

The specific objectives for these assets shall be to provide equal emphasis on the production of income and conservative growth while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of at least 10 years) equal to the performance benchmark described below. The equity allocation range of the portfolio will vary between fifteen to sixty-five percent.

### **Performance Benchmark**

The blended benchmark for this portfolio will be:

- 45% performance of the S&P 500 Index PR<sup>®2</sup>
- 55% performance of the Barclays U.S. Aggregate Bond TR Index<sup>®</sup>

### **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be in excess of ten years. Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

### **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

9. Financial ability to accept risk within the investment program, and;
10. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment calculator to determine his/her risk profile or has rated his/her own risk profile as Conservative. Accordingly, The Financial Trade Center™ WRAP model which best corresponds to this description is the Monarch Balanced Income Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 15% in a given year.

### **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 5% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

### **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

### **Permitted Asset Classes**

37. Cash and cash equivalents
38. Fixed Income—Domestic Bonds
39. Fixed Income—Non-U.S. Bonds
40. Equities—U.S.
41. Equities—Non-U.S.
42. Equities—Emerging Markets
43. Equities—REITs
44. Equipment Leasing
45. Mortgages

### **Permitted Security Types**

- 25. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
- 26. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
- 27. Individual Bonds, as long as they are rated “A” or better and traded on a major U.S. exchange.
- 28. Closed-end funds and Separately Managed Accounts.
- 29. Deferred Annuities issued by an insurance company with an A.M Best rating for financial strength of “A-” or better.
- 30. Leveraged Transactions

### **Prohibited Asset Classes and/or Security Types**

- 17. Venture Capital
- 18. Purchases of Letter Stock, Private Placements, or direct payments.
- 19. Puts, calls, straddles, or other option strategies, except as permitted above.
- 20. Purchases of real estate, with the exception of REITs.

### **Monarch Short-Term Income Portfolio Investment Philosophy**

The Monarch Short-Term Income Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor will inform Investor of scheduled changes recommended for the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

### **Investment and Allocation Objectives**

The specific objectives for these assets shall be to provide capital preservation and current income while meeting a stated benchmark performance principle. The benchmark



performance principle shall be to attempt to attain an average annual rate of return (over a period of at least 10 years) equal to the performance benchmark described below. The equity allocation range of the portfolio will vary between 0 to fifteen percent.

### **Performance Benchmark**

The blended benchmark for this portfolio will be:

- 55% performance of the Barclays U.S. Corporate A TR Index<sup>®</sup>
- 30% performance of the Barclays U.S. Govt. Linked 1-10yr. Index<sup>®</sup>
- 15% performance of the Barclays U.S. Aggregate Bond TR Index<sup>®</sup>

### **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be in excess of ten years. Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

### **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

11. Financial ability to accept risk within the investment program, and;
12. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment calculator to determine his/her risk profile or has rated his/her own risk profile as Ultra Conservative. Accordingly, The Financial Trade Center™ WRAP model which best corresponds to this description is the Monarch Short-Term Income Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 10% in a given year.

### **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 5% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

### **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

### **Permitted Asset Classes**

- 46. Cash and cash equivalents
- 47. Fixed Income—Domestic Bonds
- 48. Fixed Income—Non-U.S. Bonds
- 49. Equities—U.S.
- 50. Equities—Non-U.S.
- 51. Equities—Emerging Markets
- 52. Equities—REITs
- 53. Equipment Leasing
- 54. Mortgages

### **Permitted Security Types**

- 31. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
- 32. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
- 33. Individual Bonds, as long as they are rated "A" or better and traded on a major U.S. exchange.
- 34. Closed-end funds and Separately Managed Accounts.
- 35. Deferred Annuities issued by an insurance company with an A.M Best rating for financial strength of "A-" or better.
- 36. Leveraged Transactions

### **Prohibited Asset Classes and/or Security Types**

- 21. Venture Capital
- 22. Purchases of Letter Stock, Private Placements, or direct payments.
- 23. Puts, calls, straddles, or other option strategies, except as permitted above.
- 24. Purchases of real estate, with the exception of REITs.

## **Information Applicable to All Monarch Wrap Portfolio Investment Philosophies**

### **Investment Platform**

The recommended platform would be an investment management WRAP account where there are no transaction fees, sales charges or commissions (limitations may apply). This is true for all holdings including retail mutual funds which normally assess a sales charge/load. Since one of the keys to successful investing is the ability to independently evaluate each investment opportunity, the presence of a commission may hinder the decision-making process. These concerns are eliminated with fee-based accounts because no commissions are charged on individual transactions. The client, depending upon the Account Level selected may pay a monthly subscription fee and/or an annual asset based fee, assessed quarterly, based on the size of the account. Because of this, we believe the Investment Manager and Advisor have a greater personal stake in the success of each account.

### **Investment Selection, Manager and Control Procedures**

Investment managers (including mutual funds, money managers and limited partnership sponsors) shall be chosen using the following criteria:

1. Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance.
2. Investment philosophy employed by the managers and overall success of managers relative to peer group.
3. Acquisition costs and/or expense ratios relative to other funds with like objectives and investment styles.
4. Size of the proposed mutual fund, turnover rate and average market cap.
5. Length of time the fund has been in existence and length of time it has been under the direction of the current manager(s) and whether or not there have been material changes in the manager's organization and personnel.
6. For Bond Funds, average credit quality and duration.
7. The historical volatility and downside risk of each proposed investment.
8. How well each proposed investment complements other assets in the Portfolio.
9. The current economic environment.
10. The likelihood of future investment success, relative to other opportunities.

### **Reporting**

1. Advisor shall provide Investor with a report each quarter that lists all assets managed by advisor and held by Investor, values for each asset and all transactions affecting assets within the Portfolio, including additions and withdrawals.
2. Investor shall receive no less frequently than on a quarterly basis and within 30 days from the end of each such quarter the following management reports:
  - a. Portfolio performance results over the last quarter, year, three years and five years
  - b. Performance results of each individual manager for the same periods
  - c. Performance results of comparative benchmarks for the same periods
  - d. Performance reporting on a basis that is in compliance with AIMR standards
  - e. End of quarter status regarding asset allocation—current versus policy
  - f. Any recommendations for changes of the above.

### **Meetings and Communication between Investor and Advisor**

As a matter of course, Advisor shall keep Investor apprised of any material changes in the Advisor's outlook, recommended investment policy and tactics. In addition, Advisor shall meet with Investor (Marquis account type or higher) no less than annually to review and explain the Portfolio's investment results and any related issues. Advisor meetings shall either be conducted in person, via telephone or some other electronic means. Advisor may also be available on a reasonable on-demand basis for telephone communication when needed.

Any material event that affects the ownership of Advisor firm or the management of the Portfolio must be reported immediately to the Investor.

### **Rebalancing Procedures**

From time to time, market conditions may cause the Portfolio's investment in various asset classes to vary from the established allocation. To remain consistent with the asset allocation guidelines established by this Investment Policy Statement, quarterly, the Advisor and/or Strategist shall review the Portfolio and each asset class in which the Portfolio is invested. If the actual weighting differs from the target weighting by 5% or more from the recommended weighting, unless due to a strategist recommendation the Advisor shall rebalance the Portfolio back to the recommended weighting.

## **Duties and Responsibilities**

### **The Advisor**

Advisor is expected to manage the Portfolio in a manner consistent with this Portfolio strategy, with the Investment Policy Statement between Advisor and client, and in accordance with State and Federal law and the Uniform Prudent Investor Act. Advisor is a Registered Investment Advisor and shall act as the investment advisor and fiduciary to the Investor until the Investor decides otherwise. Fiduciary responsibility exceeds that which is normally required of ordinary business relationships – the Advisor must place the interest of their clients above those of its own. As such, Advisor will execute recommended transactions in a fiduciary standard at the Advisor's discretion and in the Investor's best interest.

**Advisor shall be responsible for:**

1. Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
2. Recommending an appropriate custodian to safeguard Investor's assets.
3. Advising the Investor about the selection of and the allocation of asset categories.
4. Identifying specific assets and investment managers within each asset category.
5. Ensuring that the custodian provides Investor with a current prospectus, where applicable, for each investment proposed for the Portfolio.
6. Monitoring the performance of all selected assets.
7. Recommending changes to any of the above.
8. Periodically reviewing the suitability of the investments for the Investor and being available for discussion at such times within reason at the Investor's request.
9. Preparing and presenting appropriate reports.

**Investor shall be responsible for:**

1. The oversight of the Portfolio.
2. Defining the investment objectives and policies of the Portfolio.
3. Directing Advisor to make changes in investment policy and to oversee and to approve or disapprove Advisor recommendations with regard to policy, guidelines, objectives and specific investments on a timely basis.
4. Investor shall provide Advisor with all relevant information on Investor financial conditions and risk tolerances and shall notify Advisor promptly of any changes to this information.
5. Investor will inform Advisor promptly of changes in address and any extended absence particularly in the two weeks prior to and directly after fiscal quarter breaks.
6. Investor shall read and understand the information contained in the prospectuses of mutual funds used and each investment in the Portfolio.
7. Investor is responsible for exercise all securities rights, including voting rights, as are acquired through the purchase of securities. Investor shall vote all proxies and Investor recognizes that Advisor will not vote proxies nor advise Investor on the voting of proxies.

## Investment Advisory Fees

Pursuant to an Investment Advisory contract signed by each client, the client will pay Sovereign an Investment Advisory fee, payable quarterly in advance, based upon the assets in the account at the beginning of the period, and for new accounts, prorated from inception to the end of the period.

The all-inclusive Investment Advisory fee will be 2.0% per annum but may be negotiated at the discretion of the Advisor for factors such as the overall size and nature of the client relationship or the complexity of the strategy employed. The Investment Advisory fees may be reduced or waived for directors, officers, and employees of Sovereign at the discretion of management. Investment Advisory fees will be automatically deducted from the client account on a quarterly basis by the Custodian as agreed in the contract.

At no time will Sovereign accept or maintain custody of a client's funds or securities except for authorized fee deduction. The Investment Advisory fee will include all custody, transaction and sub-advisory costs, which will be paid by the Advisor. To the extent used in Portfolio construction, the client will, however, pay certain ongoing costs of investing in packaged products, such as the total expense ratio of mutual funds. The specific arrangement for each client will be negotiated and defined in the investment advisory contract signed by each client.

Generally, clients in wrap fee accounts, with the transaction and custody costs included, will pay a higher Advisory Fee than those where those costs are not included in the fee. Clients that opt for the inclusive fee will not pay any transaction fees or costs beyond the inclusive Advisory Fee. The inclusive fee may cost the client more or less than purchasing such services separately depending on the number of transactions that occur in the account.

All fees paid to Sovereign for investment advisory services are separate and distinct from the expenses charged by mutual funds to their shareholders and the product sponsor in the case of variable insurance products. These fees and expenses are described in each fund's or variable product's prospectus. These fees will generally include a management fee and other fund expenses.

A client could invest in these products directly, without the services of Sovereign. In that case, the client would not receive the services provided by Sovereign which are designed, among other things, to assist the client in determining which products or services are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the product sponsor and the fees charged by Sovereign to fully understand the total fees to be paid.

Investment advisor representatives of Sovereign are not compensated differently for clients that choose the wrap fee arrangement versus a non-inclusive fee and therefore they do not have a financial incentive to recommend one method over the other.

As noted, the quarterly management fee is payable in advance. Clients may request to terminate their advisory contract with Sovereign, in whole or in part, by providing advance written notice. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client. Client's advisory agreement with the Advisor is non-assignable without client's written approval.

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

The Advisor will offer its services to the following types of clients: individuals, trusts, estates, or charitable organizations, corporations and other business entities.

The Advisor does not have any minimum requirements for opening or maintaining an account.

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

Each client is assigned a Sovereign investment advisory representative ("IAR") when they become a client. Generally, the IAR will be the individual who introduces the client to the firm. Each IAR at Sovereign is responsible for managing the investment accounts of their assigned clients. This includes managing some or all of the client portfolios themselves, or selecting unaffiliated portfolio managers to meet the investment requirements of the client. As described in Item 4 above, unaffiliated portfolio managers will be selected based on a variety of factors, including but not limited to the investment strategy they offer, investment risk profile and investment methodology, past performance in the strategy, operational abilities, compliance and regulatory record, transparency in monitoring their accounts under management, and ease of doing business with them. The Sovereign IAR will monitor the client account on an ongoing basis to, among other things, ensure that the unaffiliated manager is meeting the client needs, goals and objectives. The IAR will recommend changes if the unaffiliated portfolio manager no longer meets their needs.

Investing in securities involves risk of loss that the client needs to be prepared to bear.

In addition to investment supervisory services, Sovereign may provide Financial Planning Services to some of its clients. The Advisor's Financial Planning services may include recommendations for portfolio customization based on their client's investment objectives, goals and financial situation. Financial Planning Services may also include recommendations relating to investment strategies as well as tailored investment advice.

Investment Advisor Representatives of Sovereign provide general non-securities advice on topics including tax planning, estate planning, business planning, retirement planning, education planning, budgeting and cash flow. Fees are billed at rates up to \$1,000 per hour and

are billed as services are rendered. Fees are negotiable. Pre-payment of fees will not exceed \$500 per client, 6 months in advance.

Sovereign will tailor its advisory services to its client's individual needs based on meetings and completion of a client profile. If clients wish to impose certain restrictions on investing in certain securities or types of securities, the Advisor will address those restrictions with the client to have a clear understanding of the client's requirements.

Sovereign will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, Sovereign cannot give any advice or take any action with respect to the voting of these proxies. The client and Sovereign agree to this by contract. Clients will receive proxy solicitations from their custodian and/or transfer agent.

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

In accordance with the Advisor's Privacy Policy, the Advisor does not communicate any non-public financial information to unaffiliated entities. When an unaffiliated portfolio manager is used, the Advisor will only provide sufficient information to the unaffiliated manager for them to perform the contracted services, and they will be bound by a privacy policy no less comprehensive than the Advisor's Privacy Policy.

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

The Advisor does not place any restriction on the client's ability to contact and consult with their IARs and encourages clients to communicate with their IARs whenever their circumstances change that may cause a change to their investor profile.

#### **Item 9 Additional Information**

Neither Sovereign nor its management person(s) have had any legal or disciplinary events, currently or in the past.

The Investment Advisor Representatives of Sovereign are also registered representatives of Sovereign Legacy Securities, Inc. (CRD# 1783), a FINRA registered broker-dealer.

Neither Sovereign nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor.

IARs of Sovereign are also licensed and registered as insurance agents to sell life, accident and other lines of insurance for various insurance companies. Therefore, they will be able to



purchase insurance products for any client in need of such services and will receive separate, yet typical compensation in the form of commissions for the purchase of insurance products. This creates a conflict of interest. A conflict of interest exists because of the receipt of additional compensation by the Investment Advisor Representatives. Clients are not obligated to use Sovereign or its Investment Advisor Representatives for insurance products services. However, in such instances, there is no advisory fee associated with these insurance products.

Sovereign recommends and selects other investment advisors for clients as described above in Item 4.