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**FORM ADV PART 2A  
BROCHURE  
December 31, 2016**

**ITEM 1: COVER PAGE**

This brochure provides information about the qualifications and business practices of Monarch Capital Management Inc. If you have any questions about the contents of this brochure, contact us at 260-422-2765, 800-893-3547 or [monarch@monarchcapitalmgmt.com](mailto:monarch@monarchcapitalmgmt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Monarch Capital Management Inc (IARD/CRD #106244) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Monarch Capital Management, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **ITEM 2: SUMMARY OF MATERIAL CHANGES**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment, dated January 27, 2016, we have made the following material changes to our Form ADV:

- On January 31, 2016, Margaret H. Candor retired. She was Vice President, Secretary-Treasurer and Chief Compliance Officer for Monarch Capital Management. Effective on that same date Teresa J. Tracey replaced Ms. Candor as Vice President, Secretary - Treasurer and Chief Compliance Officer. Prior to her retirement Margaret Candor was a minority shareholder of Monarch Capital Management. Her shares were repurchased by Monarch Capital Management in January 2016. She is no longer a shareholder of Monarch Capital Management.
- We amended the description of some of the securities listed in Item 8, "Methods of Analysis, Investment Strategies, and Risk of Loss," in an effort to provide more clarity on the description and/or risks of such investments. Please refer to Item 8 for additional information on all securities.
- Additionally, we amended Item 12, "Brokerage Practices," to add TD Ameritrade as a recommended custodian. Please refer to Item 12 for additional information and disclosures related to our recommended custodians.
- We also amended Item 13, "Review of Accounts," to include that annual investment reviews may be conducted by phone or video call in addition to in-person reviews.
- Lastly, we added Item 19, "Requirements for State-Registered Advisers," and Item 20, "Additional Information," to provide additional information on the Firm's practices related to our privacy policy, class action litigation, and trade errors.

### **ITEM 3:      TABLE OF CONTENTS**

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE</u>
1	COVER PAGE	1
2	MATERIAL CHANGES	2
3	TABLE OF CONTENTS	3
4	ADVISORY BUSINESS	4
5	FEES AND COMPENSATION	5-6
6	PERFORMANCE-BASED FEES	6
7	TYPES OF CLIENTS	6
8	METHODS OF ANALYSIS, INVESTMENT STRATEGIES , AND RISK OF LOSS	7-9
9	DISCIPLINARY INFORMATION	9
10	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	9
11	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING	9
12	BROKERAGE PRACTICES	9-15
13	REVIEW OF ACCOUNTS	15-16
14	CLIENT REFERRALS AND OTHER COMPENSATION	16
15	CUSTODY	16
16	INVESTMENT DISCRETION	16
17	VOTING CLIENT SECURITIES	16-17
18	FINANCIAL INFORMATION	17
19	REQUIREMENTS FOR STATE-REGISTERED ADVISORS	17
20	ADDITIONAL INFORMATION	17-18

#### ITEM 4: ADVISORY BUSINESS

Monarch Capital Management, Inc. (“Monarch”) provides **investment advisory services** to investors. Services consist of the management of client portfolios through the use of equity (stocks) and debt (bonds) securities. Monarch has been in business since August 16, 1994. Its principal owners are members of the Meyer family: David M. Meyer, John D. Meyer and Katherine K. Moenter.

Monarch’s primary business is to invest our clients’ portfolios directly into stocks and bonds. We assess our clients’ needs and customize an investment strategy and action plan that best helps them meet their objectives. We also consider their income needs, time horizon, their income and estate tax considerations and their tolerance for volatility.

Our advice is limited to the types of investments named above. For a more detailed description of these investments, see Item 8 “Methods of Analysis, Investment Strategies, and Risk of Loss.”

All of Monarch’s clients’ assets are managed on a discretionary basis with courtesy consultation if a client requests. A client grants investment discretion to Monarch by executing a limited power of attorney with the custodian at the time the account is opened. Our clients may impose restrictions on investing in certain securities or types of securities.

As of December 31, 2016, we provided continuous management services for \$336,831,328 in clients assets on a discretionary basis and \$0 on a non-discretionary basis.

We also offer **financial advisory services** on personal and family financial matters that include

- creating a personal balance sheet or net worth statement that details all financial assets and liabilities (debts),
- analyzing financial holdings including holdings’ proportions and investment sector allocations,
- discussing a wealth transfer plan analysis that outlines the workings of a client’s estate plan,
- creating a personal budget with estimated income and expenses,
- creating and implementing a financial action plan which includes the compilation of a list of decisions to consider and actions to take,
- analyzing and discussing financial decisions such as whether to use cash or a loan for a purchase and how and when to make gifts.

Monarch offers **bill-paying services** through a separate custodial agreement with the client.

## ITEM 5: FEES AND COMPENSATION

Fees for discretionary **investment advisory services** are payable quarterly in advance and are based on the market value of assets under management. For example, fees for the 1<sup>st</sup> quarter are charged based on the yearend market value and are paid during the first part of the 1<sup>st</sup> quarter. Clients have the option of having fees deducted from their account or billed directly to them. Fees are calculated at the following annual rates:

### Balanced or Equity Accounts

1.00% on the first \$3,000,000  
0.75% on the next \$7,000,000  
0.50% on the remainder

### Fixed Income Accounts

0.50% on the first \$2,000,000  
0.40% on the remainder

In some special circumstances, the investment management fee may be negotiable such as in cases where account maintenance is the goal because low cost basis securities prevent active management of the account.

In limited circumstances some clients may choose our non-discretionary **financial advisory services**, which are managed on a non-continuous basis. In such cases a negotiated, but fixed, engagement fee applies. This fee is billed at the time the service is performed or may be billed quarterly, if the service is ongoing, not to exceed \$60 quarterly.

The fee for **bill-paying services** is negotiated depending on the volume and frequency of the service. Any fees for a required surprise audit are passed on to the client.

The client may terminate services at any time by writing and delivering the request to Monarch, by verbal instructions or by notification by the custodian. Upon notification all active management of the account stops. If the client communicates this information verbally to Monarch a letter or email is sent to the customer acknowledging the client's desire to terminate, the date of termination and fee reimbursement information. Fees are refunded promptly on a pro-rata basis from the date of termination. Since fees are charged in advance, termination of our services on any date other than on the 1st day of a calendar quarter would require a refund. For example, if a client terminates our services on February 1, he or she would receive a refund of fees from February 1 through March 31.

Monarch may resign as investment manager by giving written notification. Monarch's investment management contract states that the contract may be terminated without penalty within 5 business days after entering into the contract. "Without penalty" means that no management fee will be charged. The fees described above are the only fees Monarch charges. It receives no other compensation.

Additional fees (not fees payable to Monarch) may be incurred. Examples are trustee fees, commissions billed by the broker for purchases and sales, and trade-done-away fees when assets are purchased or sold through another broker. Please see Item 12, “Brokerage Practices,” for more information.

If mutual funds are held in a client’s account, Monarch may include these funds in the assets subject to management fees. When this occurs, the client will pay two levels of advisory fees for the management of their mutual fund assets, both directly to Monarch and indirectly through the fees charged to the mutual fund by its manager.

If you elect to roll the assets out of your former employer’s retirement plan to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you execute with our firm. This practice presents a conflict of interest because Monarch will benefit from the fees charged when an option may be to leave the assets with your former employer’s plan at a lesser or no charge. Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer’s retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

## **ITEM 6: PERFORMANCE-BASED FEES**

Monarch does not charge performance-based fees (fees based on a share of capital gains or capital appreciation of managed assets).

## **ITEM 7: TYPES OF CLIENTS**

Monarch provides investment advisory services to individuals, trusts, foundations, corporations and other businesses and pension plans. Monarch provides financial advisory services and bill-paying services to individuals.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Securities within clients' accounts are reviewed on an ongoing basis by the portfolio managers, whose daily activities include reading and analyzing research and financial reports, monitoring price performance, and studying economic trends.

Accounts are formally measured monthly and reviewed quarterly for performance of the portfolio and, if appropriate, can be measured by asset class (stocks, bonds, cash). The review compares account performance to appropriate market indexes, such as the Standard & Poors 500 or fixed income indexes, to determine the effectiveness of the account management during the quarter.

We categorize stocks in our clients' portfolios as:

1. **Core stocks:** the highest-quality growth companies, which form the "core" of most of our portfolios.
2. **Income stocks:** high-quality companies which pay out a much higher share of their earnings in the form of dividends, giving them high dividend yields. While they offer less stability than bonds, their dividend growth should allow income to grow whereas income from bonds and CDs does not grow. This is an important distinction when considering the impact of inflation on the cost of living in the long term.
3. **Small-Mid Cap stocks:** smaller capitalized companies with many of the same characteristics of our core stocks, but whose growth prospects are more open-ended than those of large companies. These are valuable only for clients whose risk tolerance supports their inclusion.
4. **International stocks:** companies domiciled outside the United States.
5. **Special Situation stocks:** equity investments which don't fit into any other category. These could include growth companies with higher risk or companies of a more cyclical nature.
6. **Client-directed stocks:** companies to which a client has a personal connection, a special interest, or tax issues (such as a low cost basis).
7. **Preferred stocks:** securities that have elements of both bonds (high yields, fixed coupon, and are callable) and stocks (less protection of principal, trading volatility). While yields are generally attractive, interest rate risk is significant, because they have long lives to maturity or have no maturity. Combined with the lack of principal protection, preferreds are only for clients with a very high tolerance for risk.
8. **Index funds and ETFs (exchange traded funds):** where appropriate we might gain exposure to certain asset classes, such as emerging market stocks, through passively-managed index funds.

In many of our portfolios, Monarch also invests in bonds. Our main objective with bonds is **safety of principal**, plus a satisfactory return. Following are criteria we use:

- **Credit quality** is the primary consideration. We understand the source of funds from every bond issuer and only buy a bond if return of principal is a certainty or near certainty. We do not “reach for yield” by taking chances on credit quality.
- **Credit ratings** are something of a guide but cannot be relied upon as any guarantee of an issuer’s solvency. Likewise, **bond insurance** has been found to offer little protection for bond investors in times of serious trouble. The portfolio manager must do his best to choose bonds that are well funded by the issuer – a difficult judgment call sometimes.
- Generally we buy **high-quality bonds** with the intention of **holding until maturity**. We may sell a bond early if circumstances change, or there appears a possibility that the issuer may default.
- We do not view bonds as candidates for short-term trading and **we do not generally make large bets on the direction of interest rates**. To hedge against interest rate risk (the ups and downs of interest rates over time), we employ a simple “ladder of maturities” strategy (a series of bonds with a range of maturities) for our bonds, which levels out fluctuations for the overall portfolio.
- Interest rate risk (the danger of bond prices falling as rates rise) is greatest for long-term bonds. Therefore, we operate mainly in the **short-to-medium** range (duration of less than ten years), and are wary of longer maturities, especially in a low-rate environment where the risk is highest. In a high-rate environment, we may be willing to extend maturities somewhat.
- When Monarch buys **callable bonds** (bonds that can be redeemed by the issuer before maturity), we invest on both a yield-to-call and a yield-to-maturity basis. Callable bonds must still fit in with a laddered maturity strategy and adhere to our quality criteria.

Monarch’s typical portfolio is a collection of individual stocks and bonds held long (owned outright) with no leverage (borrowing to invest). Occasional deviations (options, mutual funds) may occur at the client’s request, but exotic investment methods are not Monarch’s style, as we strive to keep things simple.

Investing in marketable securities carries with it risk of loss that clients should be prepared to bear. Monarch’s clients understand that financial markets fluctuate and can produce losses. That said, however, it is Monarch’s job to minimize such risk.

Monarch’s basic strategy is to own individual stocks and bonds in portfolios held for many years with minimum turnover. Monarch attempts to minimize risk of loss by

- Investing only in securities of profitable and established companies with which we are familiar,
- Seeking to avoid overpaying,
- Diversifying portfolios to avoid risk of large losses from exposure to a single security,
- Avoiding margin or leverage, which might exaggerate volatility.



Despite Monarch's best efforts, markets sometimes bring humbling setbacks. Monarch attempts to mitigate the impact of bear markets by generally steering clear of lower-grade securities bearing "significant or unusual" risks. They are not appropriate for our clients. Even so-called high-grade securities have their hazards, which we address above.

#### **ITEM 9: DISCIPLINARY INFORMATION**

There are no legal or disciplinary matters past or present for Monarch or for any individual working at Monarch.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Monarch has no affiliations with any other industry group. For example, no one at Monarch is a broker or an insurance agent.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

Monarch affirms our duty of fiduciary care and requires that all of us conduct ourselves with integrity and loyalty, and in good faith to always act in the best interest of our clients. We pledge to avoid or disclose immediately any actual or potential conflict of interest and commit to safeguard clients' nonpublic personal information. A full copy of Monarch's Code of Ethics is available upon request.

The principals or employees of Monarch may own a security that is owned by our clients. Strict procedures are followed that prohibit any principal or employee transaction from conflicting with the best interest of our clients. Specifically, in purchasing or selling any security for our own accounts our purchases or sales may be aggregated with other clients in "bunched trades" for the purpose of seeking the best execution (which includes the duty to seek best price). No advisory client or principal or employee of Monarch is favored over any other; each that participates in an aggregated order will participate at the average share price for all Monarch's transactions in that security in that aggregated order.

If a principal or employee of Monarch wishes to buy or sell a security that is owned by any of our clients, and there are no client trades with which it can be aggregated, the trade is held until the later of 3:30 p.m. or after all other client trades have been placed that day. Each of these trades is reviewed in advance by either the President or the Chief Compliance Officer to be certain there is no conflict with any client transaction.

#### **ITEM 12: BROKERAGE PRACTICES**

Clients of Monarch may hold their assets in custody at any qualified custodian. There are currently three types of brokerage arrangements among its clients: **Recommended**,

**Discretionary** and **Directed** which are determined by where a client's assets are held in custody. Following is an explanation of each.

**Pershing or TD Ameritrade Custody ("Recommended Brokerage")**

Monarch may recommend that clients establish brokerage accounts with Pershing Advisor Solutions LLC ("Pershing") of One Pershing Plaza, 4<sup>th</sup> Floor, Jersey City, New Jersey 07399, or TD Ameritrade Institutional, San Diego, California, both FINRA registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Monarch may recommend that clients establish accounts at Pershing or TD Ameritrade, it is the client's decision to custody assets with either firm. Monarch is independently owned and operated and not affiliated with Pershing or TD Ameritrade.

For Monarch's client accounts maintained in its custody, Pershing and TD Ameritrade generally do not charge separately for custody services but are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Pershing or TD Ameritrade or that settle into Pershing or TD Ameritrade accounts.

Pershing and TD Ameritrade also make available to Monarch other products and services that benefit Monarch but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Monarch's accounts, including accounts not maintained at Pershing or TD Ameritrade.

Pershing and TD Ameritrade's products and services that assist Monarch in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) provide research, pricing and other market data; (iii) facilitate payment of Monarch's fees from its clients' accounts; and (iv) assist with back-office functions, recordkeeping and client reporting.

Pershing and TD Ameritrade also offer other services intended to help Monarch manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Pershing and TD Ameritrade may make available, arrange and/or pay third-party vendors for the types of services rendered to Monarch. Pershing and TD Ameritrade 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 Monarch. Pershing and TD Ameritrade may also provide other benefits such as educational events or occasional business entertainment of Monarch's personnel. In evaluating whether to recommend that clients custody their assets at Pershing or TD Ameritrade, Monarch may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it

considers and not solely on the nature, cost or quality of custody and brokerage services provided by Pershing or TD Ameritrade, which may create a potential conflict of interest. Not all investment advisers recommend a particular broker to their clients.

### **TD Ameritrade Institutional**

We participate in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program.

As disclosed above, we participate in TD Ameritrade’s institutional customer program and we may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the Program and the investment advice we give you, although we receive economic benefits through our participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to your accounts); the ability to have advisory fees deducted directly from your accounts; access to an electronic communications network for order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit us but may not benefit your accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to you, we endeavor at all times to put your interests first. You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

### **Institutional (Bank) Custody Where Monarch has the Discretion to Select the Broker for Each Trade (“Discretionary Brokerage”)**

Clients may hold their assets in custody at a financial institution—usually a bank. In those cases Monarch places brokerage transactions with securities brokers that Monarch believes will provide the best value in brokerage and research services for our clients.

It is important for Monarch in performing its responsibility to the client, to receive and evaluate the broad spectrum of economic and financial information, which many securities brokers have customarily furnished in connection with brokerage transactions. In compensating brokers for these services through commissions on trades, it continues to be in the interest of the client to take into account the value of the information received.

The research information received from any broker is used to benefit all clients.

In valuing brokerage services for institutional portfolios, Monarch makes a judgment as to which brokers are capable of providing a favorable net price (not necessarily the lowest commission considered alone) and a reasonable execution in a particular transaction. Reasonable execution means not only general competence and reliability, but specific expertise and effort of a broker in overcoming the anticipated difficulties in fulfilling the requirements of particular transactions.

It is possible that a client whose assets are held in custody at a financial institution may want to direct trades to a particular broker or brokers. Although a rare occurrence and one not presently in existence among Monarch clients, it will be treated the same as a “directed brokerage” account as described below with respect to commissions, aggregated trades and potential conflicts.

### **Soft Dollar Arrangement**

Monarch currently places trades for its **Discretionary Brokerage** clients at Strategas in order to receive research from Strategas Research Partners, LLC, an investment strategy, macro-economic and policy research firm. The commissions from trades executed by Strategas help pay for its research service. Commissions are \$0.04 per share.

Monarch saves money in paying for the Strategas research with commissions from trades. The commissions go directly to pay for the research. If commissions do not cover the cost of the research, Monarch pays the balance due. This is reviewed and paid annually. Use of the Strategas research benefits all of Monarch’s clients.

Because Monarch wants to receive Strategas research, we have an incentive to place trades there. This may create a conflict of interest if our clients do not receive favorable execution. Execution prices are monitored. See “Other Brokerage Practices” below.

### **Custody at Other Brokers (“Directed Brokerage”)**

In Directed Brokerage, Monarch will place all or almost all of the transactions with the broker and brokerage firm which the client designates and where the client’s assets are held in custody. The client makes this designation on the investment management contract executed prior to the beginning of the management process.

With Directed Brokerage clients, Monarch does not negotiate commission rates with the brokerage firm or its registered representative selected by the client. Clients may negotiate commission rates with the registered representative of the firm they designate. The factors involved in such negotiation may include the size of the client’s account, the brokerage firm’s policy with respect to discounts, the client’s relationship with the firm’s representative and other factors. Monarch’s Directed Brokerage clients may negotiate for and receive commission discounts in varying amounts. Unless a lower rate has been negotiated on his or her own behalf, the client should expect that the designated brokerage firm will charge commissions based upon the firm’s established non-discounted commission schedule.

For Directed Brokerage clients, Monarch does not negotiate volume commission discounts. If a designated broker is allowed a commission in excess of that which another broker may have charged for executing the same transaction, it is done in recognition of the acknowledged commission level agreed to in advance between the client and the designated broker. Directed Brokerage clients will not necessarily obtain commission rates as favorable as those that might be obtained if Monarch did undertake to select the brokerage firm and to negotiate commission rates with that firm, and that may cost clients more money in trading costs.

Therefore, a potential conflict exists between the interest of Monarch’s Directed Brokerage clients in obtaining the lowest commission and Monarch’s receipt of future referrals from the client’s broker. However, in the history of Monarch there have been fewer than 10 accounts referred to us by a broker and none in over 10 years.

When Monarch Capital Management has, at the same time, orders involving all three types of brokerage arrangements, Monarch enters all orders simultaneously, if the trades are sent electronically. If a directed brokerage account’s transaction cannot be sent electronically at the same time as the others, it is typically executed first.

Occasionally, Monarch will be required to execute an order with a brokerage firm other than the firm where the Recommended and Directed Brokerage accounts are held. In this instance, the Recommended and Directed Brokerage client should expect to be charged a commission or mark-up by the non-designated broker as well as the designated broker. Specifically, Pershing charges a \$12 trade-done-away fee; TD Ameritrade charges \$15.

### **Aggregated Trades**

Monarch frequently makes aggregated trades at Pershing, TD Ameritrade and Strategas and may do so at other brokers, if feasible. These trades, where client trade orders are “bunched,” may include both Discretionary Brokerage and Recommended Brokerage accounts and Directed Brokerage accounts, when applicable. Clients participating in an aggregated trade receive an average execution price. In instances where multiple trades are required to fill an aggregated order, the broker provides Monarch with an average price for all trades. In the case where only a part of a trade is filled, Monarch’s trading software randomly allocates the available shares to clients and those clients receive an average execution price. It is possible to have more than one aggregated trade on a given day. If this happens, each aggregated trade is treated independently, and the above procedures will apply to clients for the aggregated trade in which they participate. Aggregated trades at Strategas occur only if the same custodian is involved. Clients participating in aggregated trades pay the same commission rate as non-aggregated trades.

### **Other Brokerage Practices**

Discussed above are many factors that make up “**best execution**,” which is Monarch’s duty to seek the most favorable terms reasonably available in executing its clients’ securities transactions. Some of the criteria in evaluating “best execution” are subjective. However, in evaluating whether the broker achieves best price execution, Monarch systematically evaluates the execution performance of brokers executing client trades. For all equity trades executed, the price at the time the order is placed is recorded and compared to the price at which the order is filled. Monarch evaluates the quality and cost of services received from broker/dealers on a periodic basis (as least annually). As a part of the evaluations, Monarch considers the quality and cost of services available from alternative broker/dealers.

When Monarch makes trades in **over-the-counter securities**, the trades may sometimes not be placed with the market-making broker. When this happens, the client, in addition to the commissions assessed by their custodian broker, will incur a transaction cost. Normally, best price and execution are obtained for over-the-counter securities transactions by executing directly with the market-maker on a principal basis. To the extent that this does not happen, Monarch’s ability to obtain best price and execution is limited or eliminated.

Monarch does not, as a general rule, participate in **initial public offerings** (“IPOs”) of equity investments. However, in the event Monarch does participate certain procedures will apply:

- Monarch principals or employees may not acquire any Beneficial Ownership in any security in an initial public offering without first seeking written approval from the Chief Compliance Officer.

- Monarch will not selectively allocate IPO shares in response to individual client requests or on the basis of subjective criteria.
- IPO shares will be offered to all accounts whose investment objective allows for purchase of equities. Each client who qualifies will be contacted, but only those who affirmatively elect to participate will be included in the allocation.
- A Monarch client may participate in an IPO through another relationship, but wish to purchase the security in the Monarch account. If this happens, Monarch will follow the direction of the client.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **Investment Advisory Services**

The portfolio managers, David Meyer, George Donner and John Meyer, review all investment advisory accounts on an ongoing basis. This is necessary to keep the accounts consistent with the major trends in the financial markets. Of particular importance in these reviews is asset mix as well as the specific securities within the asset mix.

In addition to the monthly statements supplied by the custodian, clients also receive the following written quarterly reports from Monarch:

- Asset list with cost basis and quarter-end market values
- Realized gains and losses for the quarter and year to date (taxable accounts only)
- Performance report for the quarter, year to date and inception to date

At the time customers receive their first full quarterly report, they also receive an explanation of how to compare our reports to the ones received from the custodian.

Clients also receive or have access to confirmation of every securities transaction and a brokerage statement at least quarterly.

A formal review is conducted at least annually to review the underlying portfolio assets, current market conditions, investment results and asset allocation to ensure investment strategy and expectations remain aligned with the client's stated goals and objectives.

### **Financial Advisory Services**

As mentioned earlier under Item 4, Monarch also provides financial advisory services. The frequency and level of review of financial advisory services will be determined by the engagement agreement. At minimum, an annual review will be conducted with each client. More frequent consultations may occur and be triggered by changes in a client's personal financial circumstances, the regulatory climate, and market conditions.

Depending on the client, the review may include the following:

- A personal balance sheet or net worth statement that details all financial assets and liabilities (debts).
- An investment analysis of financial holdings that includes holdings' proportions and investment sector allocations.
- A wealth transfer analysis that outlines the workings of a client's estate plan.

- A financial action plan that includes a list of decisions to consider and actions to take.
- A personal budget with estimated income and expenses.

### **Bill-paying Services**

Bill-paying services are discussed below under Item 15, “Custody.”

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Monarch has entered into cash bonus agreements with its principals and employees where the principal or employee is paid 25% of the first year’s fee for any new business brought to Monarch or significant deposit to an existing account for which the principal or employee is responsible. A pool of 25% of the first year’s fee for these same accounts is created to be shared equally by all other principals and employees. The remaining 50% of the fee remains with Monarch. After the first year, Monarch retains the entire fee.

Noel Knox joined Monarch on January 1, 2006. His cash bonus agreement was 50% of the first year’s fee for any new business or significant deposit to an existing account brought to Monarch on account of his efforts. These fees were not included in the calculation of bonuses paid to the principals of Monarch as outlined in the paragraph above. Effective October 1, 2013, the agreement was ended and Mr. Knox entered into the cash bonus agreement described in the paragraph above.

Monarch pays no compensation to any outside person for referring clients to it.

### **ITEM 15: CUSTODY**

Monarch offers bill paying as a service. Having access to a client’s checking account for this purpose means Monarch has custody of the checking account’s assets and must disclose to those clients that they should carefully review the checking account statement they receive from their bank or other qualified custodian. Payments requested by Monarch are reviewed internally on a monthly basis and are subject to an annual surprise audit by an Independent Certified Public Accountant.

### **ITEM 16: INVESTMENT DISCRETION**

See Item 4, “Advisory Business.”

### **ITEM 17: VOTING CLIENT SECURITIES**

As part of its investment management responsibility for retirement plan clients, Monarch votes shareholder proxies. Monarch will vote proxies for non-retirement clients if the client requests it in writing.

Monarch has adopted written policies and procedures reasonably designed to ensure it votes proxies in the best interest of clients.



If the Compliance Officer determines that a material conflict of interest exists, the following procedures shall be followed:

1. Monarch may disclose the existence and nature of the conflict to the client(s) owning the Client Securities, and seek directions on how to vote the proxies;
2. Monarch may abstain from voting, particularly if there are conflicting client interests (for example, where client accounts hold different Client Securities in a competitive merger situation); or
3. Monarch may follow the recommendations of an independent proxy voting service in voting the proxies.

Available on request are details of how Monarch votes any proxy and a copy of the Proxy Voting Policy and Procedures.

Clients retaining their right to vote proxies will receive their proxy statements from the custodian of their assets. Clients can contact Monarch by telephone or email with any questions about a particular solicitation.

#### **ITEM 18: FINANCIAL INFORMATION**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you.

We have not filed a bankruptcy petition at any time in the past ten years.

#### **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

#### **ITEM 20: ADDITIONAL INFORMATION**

##### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We

maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

If you decide to close your account(s) we will adhere to our privacy policies, which may be amended from time to time.

If we make any substantive changes in our privacy policy that would further permit or require disclosures of your private information, we will provide written notice to you. Where the change is based on permitted disclosures, you will be given an opportunity to direct us as to whether such disclosure is acceptable. Where the change is based on required disclosures, you will only receive written notice of the change. You may not opt out of the required disclosures.

If you have questions about our privacy policies contact our main office at the telephone number on the cover page of this brochure and ask to speak to the Chief Compliance Officer.

### **Trade Errors**

In the event a trading error occurs in your account, it is Monarch's policy to correct **trading errors** as soon as they are discovered. We never try to "play" the market to see if the trade can be corrected with no damage to us. It is our policy to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.