

Legacy Financial Advisors, Inc.

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Part 2A of Form ADV:

Firm Brochure

Dated August 31, 2011

This Part 2A of Form ADV (hereinafter referred to as the "Brochure") provides information about the qualifications and business practices of Legacy Financial Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (859) 655-5225 or branum@legacyfinancialadvisors.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Legacy Financial Advisors, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration as an investment adviser does not imply a certain level of skill or training.

Item 2

Material Changes

On July 22, 2011 we filed our first Brochure. Under the SEC's rules we are required to update this Brochure whenever there is a material change to our policies, practices, or conflicts of interest or other information presented. This Brochure dated August 31, 2011 reflects changes necessary to reflect the movement of investment adviser representatives from another registered investment adviser to Legacy and the transfer of their association as broker/dealer registered representatives to a new broker/dealer. As described more fully in this Brochure, Legacy's principals will now be investment adviser representatives of Legacy and registered representatives of Triad Advisors, Inc.

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Item 4

Advisory Business

ADVISORY FIRM

Legacy Financial Advisors, Inc., a Kentucky corporation ("Legacy"), was formed in 2006 for the purpose of housing the businesses of its founders, Bradley R. Zapp, Michael J. Maisel, Paul A. Sartori and P. Trent Lucas, each an investment adviser representative of Legacy and a registered representative of Triad Advisors, Inc. ("Triad"), a securities broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC") for variable annuities and/or variable universal life insurance products. The founders each own 25% of Legacy.

Legacy seeks to serve its goal of assisting and advising its clients in each and every aspect of their financial lives. We specialize in investments, estate planning, insurance, and risk management services. Our purpose as an independent financial services firm is to provide goal oriented financial guidance to individuals, families, closely held businesses, pension plans, profit sharing plans, estates, trusts, charitable organizations, corporations and other business entities.

FINANCIAL PLANNING SERVICES

Legacy's financial planning strategy is a proprietary process tailored to meet and act upon a client's unique life and financial expectations. Legacy will help clients identify and define the key financial goals that are important to them, their family, and their business. Legacy will then evaluate the client's present financial arrangements and their capacity to achieve the client's goals and will develop and present the client with a tailored financial plan. As part of this process, Legacy will address the following planning issues:

Estate Planning (Conservation and Distribution)

- Analyze present estate distribution plan. Determine the effectiveness of the client's present plan and recommend changes as needed.
- Illustrate alternatives that would reduce or eliminate estate taxes.
- Discuss asset management assistance needs for the client's family and illustrate how management flexibility can be made available to the client's family.
- Illustrate the economics of the several options available to pay estate taxes.
- Establish procedures to help reduce administrative costs of estate settlement.
- Discuss coordination of annual exclusion and unified credit gifting programs.
- Review existing life insurance contracts. Focus on ownership and beneficiary designation of contracts. Evaluate the cost/benefit relationship of the client's existing contracts. Determine whether contracts will avoid estate taxation.
- Evaluate the sources of income for the client's survivors to confirm that adequate income appears to be available.

Retirement Planning

- Analyze the client's present retirement plans, including company sponsored profit sharing, 401(k) and pension plans or self-employed arrangements and how they help meet the client's projected retirement needs.
- Determine whether the client's resources will be sufficient to fund the desired level of retirement.
- Identify additional retirement planning opportunities where appropriate.
- Evaluate whether or not the taxes on qualified plan distributions may be an issue.
- Determine whether or not the client's retirement objectives are attainable in the event of a long term disability or long term convalescent stay.

Investment Planning

- Evaluate current investment strategy in relation to the client's objectives and personal risk tolerance and recommend reallocation of monies as needed.
- Identify and discuss alternatives to help reduce income tax liabilities, as they relate to the client's investments.
- Develop a personal cash flow statement to anticipate future cash flow needs and identify the capacity for future wealth accumulation.
- Assist in developing a comprehensive asset allocation and marketplace diversification strategy that is tailored to client's specific objectives.
- Establish a management policy for the implementation of the client's investment strategy.
- Ensure coordination of the client's investment plan with the remainder of the client's financial planning.

The above described financial planning services can be provided on a stand-alone basis in which case Legacy will simply provide the client with a financial plan, or together with Legacy's advisory services described below. That is, if a client decides to implement the financial plan, Legacy can assist you in the implementation process as discussed below.

TAILORED ADVISORY SERVICES

Legacy portfolio allocation strategy is closely tied to our financial planning services and is aided by diversification, tax management and the inherent risk-reward characteristics of portfolio construction. A client who engages Legacy to provide advisory services receives, as part of the advisory services, the financial planning services described above.

Legacy's portfolio allocation strategy begins by identifying the client's objectives and intentions for the client's investable assets and personal finances. Through this process, Legacy is able to identify and reasonably quantify the client's risk tolerance and risk capacity through a qualitative and quantitative approach. Legacy will determine an asset allocation and set aside the client's known capital and liquidity needs in a "capital preservation portfolio" and will direct the remainder of a client's portfolio assets to a "growth portfolio" where they will be invested in securities that are intended to provide long-term capital appreciation potential and diversification. Sub-portfolios within the growth portfolio are (1) growth equity, (2) tactical, and (3) alternatives. Legacy's asset allocation strategy will use a combination of

these investment classes, each of which is described in more detail in Item 8 of this Brochure, based on the client's return expectations and risk tolerance.

In addition, Legacy may offer advice on other investments and financial products as necessary to meet the goals of its clients, including insurance-related products. Certain investment adviser representatives of Legacy are also registered representatives of Triad, a securities broker-dealer and member of FINRA and SIPC for variable annuities and/or variable universal life insurance products. The fees and commissions associated with insurance related products are discussed in Item 5 of this Brochure in the section titled "Compensation for the Sale of Securities or Other Investment Products & Conflicts of Interest".

TYPES OF INVESTMENT AND CLIENT RESTRICTIONS

Legacy offers advice on a broad range of investment options, including but not limited to, separately managed accounts managed by third party managers, equity securities, corporate debt securities, commercial paper, certificates of deposit, money market funds, savings accounts, U.S. Treasury bills, mutual funds, exchange traded funds and other investment company securities, real estate investment trusts, master limited partnerships and other publicly traded pooled investment vehicles.

A client may impose reasonable restrictions on the management of the client's account, including the designation of specific securities or a specific category of securities that should not be purchased for the account or that should be sold if held in the account, and may reasonably modify such restrictions from time to time. Any restrictions placed on the management of a client's account or particular requirements of an account may cause Legacy or an investment manager for a separately managed account to deviate from investment decisions it would otherwise make in recommending an asset allocation strategy or managing the account.

WRAP FEE PROGRAM PARTICIPATION

Legacy participates in wrap fee management programs with other investment managers. Legacy receives a portion of the wrap fee for its services. Legacy manages wrap fee accounts in the same manner it manages other accounts.

ASSETS UNDER MANAGEMENT

As of the date of this Brochure, Legacy has no client assets under management. Legacy expects to have at least thirty million of client assets under management within 120 of registration with the SEC as an investment advisory firm.

Item 5 Fees and Compensation

LEGACY'S FEE SCHEDULE AND BILLING

Financial Planning Services. Legacy provides financial planning services, as described in Item 4 of this Brochure in the section titled "Financial Planning Services", for a flat fee of \$5,000, payable upon delivery to the client of the financial plan.

Advisory Services. With the exception of pension plan clients, who are subject to the fee schedule described below in the section titled "Retirement Plan Fee Schedule," each client pays Legacy a fee for providing investment advisory services calculated as a percentage of the market value of all assets in the client's account. The fee paid to Legacy for assets under Legacy's direct advisement or assets which are actively managed by investment managers in separately managed accounts is higher than the fee paid to Legacy for assets which Legacy takes into account when advising a client and determining an appropriate asset allocation, but which it does not actively manage (e.g. assets held in an individual's 401K plan with its employer) ("Assets Held Away"). The following is Legacy's standard fee schedule and its fee schedule for Assets Held Away:

<u>Asset Breakpoints</u>	<u>Legacy Standard Fee Schedule</u>	<u>Assets Held Away Fee Schedule</u>
<1M	1.00%	0.25%
1-3M	0.80%	0.20%
3-5M	0.60%	0.15%
5-10M	0.50%	0.10%
>10M	Negotiable	Negotiable

Legacy's quarterly minimum fee is \$1,000. If, based on the fee schedule above, the amount of assets under management results in a fee that exceeds the quarterly minimum fee of \$1,000, then Legacy's fee is calculated using the above fee schedule. Legacy's fees, including the quarterly minimum fee, may be discounted or negotiated at Legacy's discretion, and the fee schedule may be changed by Legacy on 30 days prior notice.

Legacy's fee is billed quarterly in advance. The initial fee is based on the fair market value of the client's account assets when the account is opened and prorated for the number of days remaining in the calendar quarter. Thereafter, the quarterly fee is due on the fifteenth business day of each quarter and is based on the average daily fair market value of the assets in the client's account during the preceding quarter. Legacy's fees are generally debited from a client's account by the custodian; however, upon request of the client, Legacy will invoice the client separately instead of having the custodian debit the fee.

RETIREMENT PLAN FEE SCHEDULE

The fee schedule for Legacy's pension plan clients is as follows:

<u>Asset Breakpoints</u>	<u>Legacy 401(k) Fee Schedule</u>
<\$1M	1.00%
\$1M - \$2M	0.70%
\$2M - \$3M	0.40%
\$3M - \$5M	0.30%
\$5M - \$10M	0.25%
\$10M - \$15M	0.20%
\$15M - \$25M	0.15%
>\$25M	Negotiable

Legacy's quarterly minimum fee for pension plan clients is \$1,500. If, based on the fee schedule above, the amount of assets under management results in a fee that exceeds the quarterly minimum fee of \$1,500, then Legacy's fee is calculated using the above fee schedule. Legacy's fees, including the quarterly minimum fee, may be discounted or negotiated at Legacy's discretion, and the fee schedule may be changed by Legacy on 30 days prior notice. Legacy's fees are generally debited from a client's account by the custodian; however, upon request of the client, Legacy will invoice the client separately instead of having the custodian debit the fee.

Legacy's retirement plan fee is billed quarterly in arrears, based on the plan's account value as of the last business day of each calendar quarter, and is due the following business day. Fees are prorated for the balance of the calendar quarter in which the plan's account is initially opened. In the event of termination of the account, the fees will be adjusted, on a pro rata basis, to reflect the portion of the final quarter in which termination occurs. The client may also pay a separate fee to the administrator for its recordkeeping and administrative services.

Certain 401(k) plan sponsors permit plan participants to elect a self-directed account in which case Legacy would then manage the account and would collect its fees, in accordance with above fee schedule, from the individual client instead of from the 401(k) plan sponsor.

REFUND OF PREPAID FEES

The client will be entitled to a prorated refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter after the termination date.

ADDITIONAL FEES AND EXPENSES

In addition to Legacy's fee, the client may be responsible for the payment of certain additional fees, including, if applicable, the fees described in more detail below.

Public Fund Management Fees and Expenses. As part of Legacy's investment advisory services, Legacy may invest in, or recommend that you invest, in mutual funds, exchange traded funds ("ETFs"), real estate investment trusts ("REITs"), master limited partnership or other publicly traded pooled investment vehicles (collectively, "Public Funds") depending on their suitability and the overall

benefits each may provide to the particular asset allocation strategy. Public Funds incur management fees and other operating fees and expenses as disclosed in the prospectuses for such funds. The fee that a client pays to Legacy for investment advisory services are separate and distinct from the fees and expenses charged by Public Funds.

Investment Management Fees – Separately Managed Accounts. To the extent a portion of the account assets consist of one or more portfolios of individual securities managed in separately managed accounts by investment managers selected by Legacy, the investment manager's fees are in addition to Legacy's fee.

Performance Reporting Fee. Legacy's fee does not include the cost for performance reporting provided to the client. Legacy engages a third party to conduct performance reporting. The fee owed to the performance reporting provider is payable quarterly. In the investment management agreement, the client authorizes the custodian to deduct this fee and pay it to Legacy who will in turn pay it over to the performance reporting provider. The quarterly performance reporting fee is equal to *the greater of* \$6.25 per account or an amount equal to .00375% of the average daily fair market value of the assets in the client's account for the preceding quarter.

Brokerage; Transaction Costs. Clients will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the custodian through whom the client's account transactions are executed. For information on our brokerage practices, please refer to Item 12 of this Brochure titled "Brokerage Practices."

Other Fees. In addition, Legacy's fee does not include markups and markdowns, any fees imposed by the SEC or U.S. or foreign stock markets or exchanges, wire transfer fees, costs associated with temporary investment of the client's assets in a money market account, transfers of assets upon termination of the account or special requests by the client.

COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS & CONFLICTS OF INTEREST

Commission Based Compensation. Persons providing investment advice on behalf of Legacy may be registered representatives with Triad, a securities broker-dealer and member of FINRA and SIPC. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to Legacy's advisory fee.

Similarly, Legacy may also recommend a client purchase of a variable annuity through Triad, and the persons providing investment advice on behalf of Legacy may earn commissions on the sale of the variable annuity in his or her capacity as a registered representative of Triad. The commissions on the sale of variable annuities are set by the annuity company. If a commission is paid on the sale of variable annuities recommended to a client, Legacy will not include the annuity accounts in the total value used for its advisory fee billing computation. Annuities will be purchased for a client's account only after the client receives a prospectus disclosing the terms of the annuity.

In addition, persons providing investment advice on behalf of Legacy may also be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to clients. Insurance commissions earned by these persons are separate and in addition to Legacy's advisory fee.

The fee clients pay to Legacy for its advisory services is not reduced to offset any such commissions received.

Conflicts of Interest. The practices described above each create a conflict of interest because persons providing investment advice on behalf of Legacy, who are registered representatives of Triad or insurance agents, have an incentive to recommend investments or effect securities transactions for the purpose of generating commissions rather than solely based on the client's needs. In order to resolve this conflict, Legacy makes it clear that clients are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with Legacy.

Item 6

Performance-Based Fees and Side-By-Side Management

Legacy does not participate in any form of performance-based fees or side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance based fees are fees that are based on a share of capital gains or capital appreciation of assets in a client's account. Legacy's investment advisory fee is calculated as described in Item 5 of this Brochure and is not charged on the basis of a share of capital gain or capital appreciation of the assets or any portion of the assets of the client.

Item 7

Types of Clients

Legacy offers personalized, goal-oriented financial guidance to individuals, pension plans, profit sharing plans, estates, trusts, charitable organizations, corporations and other business entities.

Item 8

Methods of Analysis, Investment Strategies and Risk of Loss

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Our Investment Philosophy

Our investment philosophy stems from our belief that diversification is paramount and client portfolios should be mandate driven.

- Diversification is key to managing investment risk
- Portfolios should balance the ability and willingness to accept risk
- Asset allocation is the primary driver of investment returns
- Portfolios should have both strategic and tactical allocations

Our Investment Approach

Legacy's financial planning strategy is a proprietary process designed to meet and act upon each client's unique life and financial expectations. Legacy's portfolio allocation strategy is closely tied to our financial planning process and is aided by diversification, tax management and the inherent risk-reward characteristics of portfolio construction.

Through this process Legacy is able to identify and reasonably quantify the client's risk tolerance and risk capacity. Legacy believes the opportunity to add value is achieved through an advance and protect strategy employing both strategic and tactical allocations that adhere to an appropriate long term investment policy.

Legacy's asset allocation strategy is structured based on the client's return requirements and risk tolerance and will be constructed with the following underlying portfolios and sub-strategies:

- Capital Preservation
 - Cash & equivalents, domestic fixed income, hybrid fixed income, foreign fixed income
- Growth Equity
 - Domestic equity, foreign developed equity, foreign emerging market equity
- Tactical
 - Constrained, unconstrained
- Alternatives
 - Public & private REITs, commodities, managed futures, MLPs, fund of funds

RISK OF LOSS

Investing in securities involves risk of loss that clients should be prepared to bear. Legacy does not represent or guarantee that its services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Legacy cannot offer any guarantees or promises that a client's financial goals and objectives will be met. Past performance is in no way an indication of future performance.

RECOMMENDATION OF PARTICULAR TYPES OF SECURITIES

Legacy recommends many types of securities and does not necessarily recommend one particular type of security over another. However, Legacy may recommend specific types of investments as appropriate for a client based on each client's needs and tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it. In addition to the risks mentioned above in the section titled "Methods of Analysis and Investment Strategies," the risks associated with certain investments are described below.

Certificates of Deposit ("CDs"). CDs are generally the safest type of investment since they are insured by the federal government up to certain maximums. However, because the returns are generally very low, it's possible for inflation to outpace the return. Likewise, US Government securities are backed by the full faith and credit of the United States government but it's also possible for the rate of inflation to exceed the returns.

Equity Securities. There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual Funds and ETFs. Mutual funds and ETFs are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have an investment manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Variable Annuities. A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point the contract will terminate and the remainder of the fund accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as: mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which

can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds, and mutual funds do. Some variable annuities offer "bonus credits". These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges) the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

Real Assets. The risks associated with the real estate industry in general include fluctuations in the value of underlying properties; defaults by borrowers or tenants; market saturation; changes in general and local economic conditions; decreases in market rates for rents; increases in competition, property taxes, capital expenditures, or operating expenses; and other economic, political or regulatory occurrences affecting the real estate industry. REIT are subject to risks inherent in the direct ownership of real estate. These risks include, but are not limited to, the risk of a possible lack of mortgage funds and associated interest rate risks, overbuilding, property vacancies, increases in property taxes and operating expenses, changes in zoning laws, losses due to environmental damages and changes in neighborhood values and appeal to purchases. REITs are also subject to the risk that the real estate market may experience an economic downturn generally, which may have a material effect on the real estate in which the REITs invest and their underlying portfolio securities. Investments in REITs and real estate companies are generally subject to greater risks such as legal and other restrictions on resale and are otherwise less liquid than publicly traded securities.

Item 9

Disciplinary Information

There are not now nor have there ever been any legal or disciplinary events that are material to a client's or prospective client's evaluation of Legacy's advisory business or management. There is no order, judgment or decree permanently or temporarily enjoining, or otherwise limiting Legacy or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule or order.

Item 10

Other Financial Industry Activities and Affiliations

REGISTERED REPRESENTATIVES OF BROKER-DEALERS

The four principal owners of Legacy, Bradley R. Zapp, Michael J. Maisel, Paul A. Sartori and P. Trent Lucas, and Laura Branum, Legacy's Chief Compliance Officer, are all registered representatives of Triad, a securities broker-dealer and member of FINRA and SIPC.

OTHER REGISTRATIONS

Neither Legacy nor any of its management persons are registered, or have an application pending to register, as a future commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

OTHER RELATIONSHIPS

The four principal owners of Legacy, Bradley R. Zapp, Michael J. Maisel, Paul A. Sartori and P. Trent Lucas are licensed with a variety of health and life insurance companies. These individuals may receive commissions when clients purchase insurance products. This practice presents a conflict of interest because persons providing investment advice on behalf of Legacy who are insurance agents have an incentive to recommend insurance products to clients for the purpose of generating commissions rather than solely based on the client's needs. In order to resolve this conflict, Legacy makes it clear that clients are under no obligation, contractually or otherwise, to purchase insurance products through these insurance companies.

Legacy has fixed insurance commission sharing agreements with the Bank of Kentucky and PNC Bank. In addition, Legacy also has a commission sharing arrangement with Scroggins Financial Services, LLC. For a more detailed discussion of these relationships, see Item 14 of this Brochure under the heading titled "Other Compensation Arrangements".

OTHER CONFLICTS OF INTEREST

From time to time Legacy organizes client events that may be sponsored or co-sponsored by various money management firms. From time to time, the money management firms may cover a portion of the expenses associated with such events. Legacy does not consider a money management firm's payment of such expenses in making manager recommendations to clients.

Item 11

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Legacy has adopted a Code of Ethics (the "Code") which meets the requirements of Rule 204A-1 promulgated under the Investment Advisers Act of 1940. The Code sets forth a standard of business conduct required of all of its supervised persons (which includes all of Legacy's officers, directors and employees as well as any other person who provides advice on behalf of Legacy and is subject to Legacy's supervision and control). Legacy effectively treats each supervised person (and thus, each employee) as an "access person" (as defined in Rule 204A-1). Legacy's supervised persons do not include employees of unaffiliated investment managers, each of whom is required to adopt its own code of ethics applicable to these individuals.

The Code is based, in part, upon the principle that Legacy and its supervised persons have a fiduciary duty to act in the best interest of clients and to comply with federal securities laws. The purpose of the Code is to prohibit activities that lead to or give the appearance of conflicts of interest, insider trading or other illegal or unethical conduct. The Code also includes Legacy's policy with respect to personal securities trading activity and gifts.

The Code provides that supervised persons and members of their family/households may not:

- trade in any security, either personally or on behalf of others, while in possession of material nonpublic information about the issuer of a security;
- communicate material nonpublic information about any publicly traded issuer of any securities to anyone else except as necessary to perform their duties for Legacy;
- disclose to other persons the securities activities engaged in or contemplated for Legacy's client portfolios except as necessary to perform their duties for Legacy; or
- disclose the holdings in a client's portfolios (except, in the case of any employee of Legacy or any of its affiliates, as required to carry out his or her employment-related duties to Legacy's clients or as required by applicable securities laws).

In addition, each supervised person must:

- conduct all of his/her business activities in accordance with the requirements of the Code and consistent with Legacy's fiduciary duties to its clients;
- comply with all applicable federal securities laws;
- promptly report any violations of the Code to Legacy's Chief Compliance Officer; and
- annually certify that he/she has received, read and understands the Code, has complied with all requirements of the Code and disclosed all personal securities transactions required pursuant to the Code.

Each supervised person, within 10 days of becoming an officer, director or employee of Legacy, must furnish the Chief Compliance Officer with a list of all securities required to be reported under Rule 204A-1 in which either such supervised person or members of his/her family/household own a beneficial interest ("Reportable Securities"). Each supervised person must also provide the Chief Compliance Officer with an updated list on the last day of each calendar quarter thereafter. In addition, thirty days after the end of each calendar quarter, each supervised person must provide the Chief Compliance Officer with a report

of all Reportable Securities transactions during such quarter. Each supervised person is required to cause his or her broker(s) to send duplicate copies of all confirmations and statements for accounts in which they have a beneficial interest in Reportable Securities to Legacy's Chief Compliance Officer. Legacy or its supervised persons may from time to time buy or sell securities identical to those recommended to clients for their personal account. However, as noted, Legacy maintains a list of all Reportable Securities in which Legacy and its supervised persons have a direct or indirect beneficial interest. The Chief Compliance Officer reviews the holding on a regular basis. Legacy does not recommend to clients, or buy or sell for client accounts, securities in which we have a material financial interest.

Legacy has no direct or indirect control over the investment decision-making process of unaffiliated investment managers. Accordingly, since Legacy's employees are generally not aware of investment decisions of unaffiliated managers, Legacy's employees may buy or sell for their personal accounts securities which are recommended by such investment managers for client portfolios.

In addition, each supervised person must receive prior approval from Legacy's Chief Compliance Officer, or other designated officer, for (i) any purchase of securities in an initial public offering or a limited offering for the benefit of such supervised person or member of his/her household or (ii) serving on the boards of directors of any public corporation.

Supervised persons are also subject to restrictions on giving gifts to, or receiving gifts from, certain persons and in dollar amounts that exceed a certain *de minimis* amount.

A copy of the Code is available, upon request, by contacting Legacy's Chief Compliance Officer at (859) 655-3865.

Item 12

Brokerage Practices

DIRECTED BROKERAGE

Legacy routinely recommends or requests that a client direct Legacy to execute transactions through Triad, a securities broker-dealer and member of FINRA and SIPC. The only types of transactions Legacy recommends the client direct Legacy to execute through Triad involve variable insurance products. Persons providing investment advice on behalf of Legacy may be registered representatives with Triad, and in such capacity these persons will receive commission-based compensation in connection with the purchase and sale of variable insurance products. This practice presents a conflict of interest because persons providing investment advice on behalf of Legacy who are registered representatives of Triad have an incentive to effect transactions for the purpose of generating commissions or other transaction-based compensation rather than solely based on a client's needs. In order to resolve this conflict, Legacy makes it clear that clients are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with Legacy. Not all advisers require their clients to direct brokerage. By directing brokerage Legacy may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money.

Legacy, in its discretion, may permit clients to direct brokerage.

AGGREGATION

Legacy may aggregate the purchase or sale of securities for various client accounts. Equity trades are aggregated based on a fair and equitable method of allocating trades among client accounts with no particular client being favored or disfavored. Clients participating in aggregated transactions will receive an average share price and transaction costs will be shared on a pro-rata basis. With respect to those client accounts which are managed by an unaffiliated investment manager, aggregation of trade orders, if any, are allocated to client accounts in accordance with the unaffiliated manager's procedures for aggregation. Legacy requires all investment managers included in a client's portfolio to have policies and procedures to assure equitable allocation of trades among all of the manager's client accounts, including Legacy clients.

Item 13

Review of Accounts

Legacy meets with clients on an annual or more frequent basis if requested by the client to review a client's financial plan. In addition, Legacy reviews each client's account and monitors the performance of the investment managers for separately managed accounts as well as investment recommendations on a quarterly basis. Legacy provides each client with quarterly reports on performance of the investment managers and the investment products. The reports are prepared by Legacy's performance reporting provider, and as discussed in Item 5 of this Brochure, the fee for performance reporting is in addition to Legacy's fee. The quarterly performance reports are written and are provided to clients in electronic or hard-copy form. If a client consents to electronic delivery of such reports in its investment management agreement, the performance reports are provided electronically.

Legacy monitors investment manager performance on both a relative and absolute basis, by comparing manager results to their applicable benchmark (as discussed in Item 8 of this Brochure) as well as to their category peer group. Legacy uses a three-tiered rating system: Retain, Watch, Sell. Because the objective of Legacy's investment manager selection process is to identify managers we expect to outperform over a long-term time horizon we will allow them some latitude. Short-term underperformance by itself will not dictate a Sell recommendation. Our investment process is based on disciplined investing and will only rotate from a manager if there are significant changes in the basis for our original investment, namely the investment manager's people, process, philosophy, or performance.

However, any underperformance will trigger a thorough analysis regarding the source of underperformance. Unexplained underperformance, consistent underperformance, or significant underperformance will be grounds for a Sell consideration. Other factors that impact Sell recommendations include underperformance after a manager change, style drift, significant asset growth, process changes, changes in investment philosophy and any actions we consider to be contrary to the best interests of the shareholders (breaching the fiduciary relationship, corporate malfeasance, corporate governance issues).

In addition to these quarterly and annual reviews, Legacy will review a client account when it is notified of any material change in the client's circumstances, goals or objectives which might affect Legacy's recommendations or the manner in which the client's account should be invested. If necessary, Legacy will update and amend the client's investment plan strategy.

The supervised persons who conduct the reviews include the Chief Compliance Officer and the four principals: Bradley R. Zapp, Michael J. Maisel, Paul A. Sartori and P. Trent Lucas.

Item 14

Client Referrals and Other Compensation

ECONOMIC BENEFITS FROM NON-CLIENTS

From time to time Legacy organizes client events that may be sponsored or co-sponsored by various money management firms that cover a portion of the expenses associated with such events. Legacy does not consider a money management firm's payment of such expenses in making manager recommendations to clients.

OTHER COMPENSATION ARRANGEMENTS

The Bank of Kentucky and PNC Bank. Legacy has fixed insurance commission sharing agreements with the Bank of Kentucky and PNC Bank ("PNC"). Under these fixed insurance commission sharing agreements, if PNC or the Bank of Kentucky refers a client to Legacy for the purpose of purchasing and implementing fixed insurance products, Legacy has agreed to pay PNC or the Bank of Kentucky, as the case may be, 40% of any commissions Legacy receives from insurance carriers in connection with such purchases. The agreements provide that the insurance carriers will pay 100% of the commissions to Legacy, and Legacy will then pay 40% of such commissions to PNC or the Bank of Kentucky, as the case may be. With respect to PNC, the commission sharing is limited to commissions on insurance products received in the first year of the relationship, and after the first year, Legacy receives 100% of any commissions.

Scroggins Financial Services, LLC. Legacy has a commission sharing arrangement with Scroggins Financial Services, LLC ("Scroggins") and its principals who, like the principal owners of Legacy, are investment adviser representatives of Legacy and registered representatives of Triad. In cases where Scroggins utilizes Legacy to provide the services described in Item 4 under the heading "Advisory Business" for Scroggins' clients, Scroggins pays Legacy 50% of commissions received in connection with investment products purchased through Triad on behalf of Scroggins' clients.

Item 15

Custody

The custodian sends quarterly statements to clients showing all transactions occurring on behalf of the client during the quarter, and the funds, securities and other property of the client held in the client's account at the end of the quarter. Legacy urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16

Investment Discretion

Under the investment management agreement client enters into with Legacy, the client provides Legacy with discretionary authority to manage securities accounts on behalf of the client. A client may impose reasonable restrictions on the management of its account, including the designation of specific securities or a specific category of securities that should not be purchased for the account or that should be sold if held in the account. Clients may modify such restrictions from time to time by notifying Legacy in writing.

Any restrictions placed on the management of the account imposed by the client may cause Legacy or an investment manager to deviate from investment decisions it would otherwise make in recommending an investment strategy or managing the account. Where a client restricts a category of securities that may be purchased for the account, Legacy or the investment manager of a separately managed account will determine, in its sole discretion, the specific securities in that category.

Item 17

Voting Client Securities

Legacy's clients authorize Legacy to appoint the various third party investment managers to vote proxies for securities held in the client's account with such managers. In the event a third party investment manager votes proxies for clients, a summary of the manager's proxy voting policy is included in the manager's Part 2A of Form ADV.

For those securities not held in an account with a third party investment manager, Legacy has adopted policies and procedures that require it to evaluate and vote proxy issues in the best interests of its clients. Legacy has determined that it is in the best interests of its clients to vote proxies in a manner that furthers the economic interest of its clients with the objective of maximizing the ultimate economic value of the investment. Legacy's policy requires that the firm vote proxies on behalf of all of its discretionary clients in a prudent manner considering the prevailing circumstances.

Legacy has adopted specific procedures that address proxy voting responsibilities, material conflicts of interest, if any, record keeping and disclosure requirements. Legacy will generally vote proxies in accordance with the following guidelines: (i) when Legacy's view of the issuer's management is favorable, Legacy will generally support current management initiatives, subject to the exceptions noted below; and (ii) when Legacy's view is that changes to the management structure would probably increase shareholder value, Legacy will generally not support management initiatives.

Where there is a clear conflict between management and shareholder interests, Legacy may elect to vote against management. In general, Legacy opposes proposals that in its view act to entrench management. In some instances, even though Legacy may support management, there are some corporate governance issues that, in spite of management objections, Legacy believes should be subject to shareholder approval. Furthermore, as part of Legacy's policy, the firm may abstain from voting a proxy when it is determined that the cost of voting the proxy exceeds the expected benefit to the client.

There may be occasions where the voting of proxies may present an actual or perceived conflict of interest between Legacy and its clients. Legacy will not vote proxies contrary to the best interest of its clients due to business or personal relationships with an issuer's management, participants in proxy contests, corporate directors or candidates for corporate directorships, or where Legacy or an employee may have a personal interest in the outcome of a particular matter before shareholders. When there exists an actual or potential conflict of interest, Legacy addresses these conflicts or appearances of conflicts by ensuring that proxies are voted in accordance with its proxy voting policy.

Legacy will obtain and make available to the client the voting record of each investment manager with respect to the client's account upon receipt of a written request from such client. In addition, clients may obtain information on how proxies were voted for such client and request a copy of Legacy's proxy voting policies and procedures by contacting Legacy's Chief Compliance Officer at (859) 655-5225.

Item 18

Financial Information

AUDITED BALANCE SHEET

The requirement to provide an audited balance sheet is not applicable to Legacy as it does not require clients to prepay fees six months or more in advance.

FINANCIAL CONDITION DISCLOSURES

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about Legacy's financial condition. Legacy has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.