



Madison Scottsdale, LC

Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Madison Scottsdale, LC. If you have any questions about the contents of this brochure, please contact us at 800-767-8020. 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 Madison Scottsdale also is available on the SEC's website at www.adviserinfo.sec.gov.

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ADVISORY BUSINESS

Our Firm and Its History

Madison Scottsdale was formed in 1993 as a full service investment management firm specializing solely in the insurance industry. Successful management of insurance company portfolios requires excellent investment skills combined with a thorough knowledge and understanding of the specific objectives and underlying operations of each insurer. With the principals of the firm having decades of experience in insurance portfolio management, our clients are provided a demonstrated expertise in the regulatory, tax and operational considerations of the insurance environment.

Apart from performance, Madison Scottsdale is distinguished from traditional managers by our “comprehensive approach” to investment management. Investment management cannot be performed in a vacuum. Albeit important, the insurer’s investment portfolio is but one piece of a dynamic and evolving puzzle. Unless the investment portfolio is properly positioned to support and complement all the other dynamics in the equation, optimization of results cannot be achieved. Since both insurance companies and the capital markets are constantly changing, we view this function as an ongoing effort and work closely with management to ensure a free flow of communication.

Our investment style is proactive and addresses the issues that continually confront our clients (e.g., tax issues, impact of mark-to-market securities, risk-based capital, asset/liability matching, etc.). This begins with getting to know our client’s needs, and then developing a customized investment program based on individual needs and circumstances.

We’re a subsidiary of Madison Asset Management, LLC which, in turn, is a subsidiary of Madison Investment Holdings, Inc. (f/k/a Madison Investment Advisors, Inc.) Each “Madison” entity, including Madison Scottsdale and Madison Investment Advisors, LLC, shares personnel and resources at our corporate headquarters in Madison, Wisconsin. The Madison organization has been managing assets since Madison Investment Advisors, Inc. was founded in 1974. The Madison organization is known for its risk-sensitive investment philosophy and active bond and equity strategies. Madison’s clients, who entrust the Madison organization with approximately \$15 billion of their assets among the Madison family, include institutional funds, pension accounts, foundations, endowments, corporations, mutual funds, municipalities, individual investors and, of course, insurance companies. All share the similar investment objectives of achieving consistent investment returns with minimal portfolio risk.

Madison Scottsdale is privately held by its employees and, through our parent company, the employees who are the majority owners of Madison Investment Holdings, Inc. Our organization has offices in Madison, Wisconsin, Chicago, Illinois, New York, New York and, of course, Madison Scottsdale in Scottsdale, Arizona.

Our Principal Owners

Our firm is a subsidiary of Madison Asset Management, LLC which, in turn, is a subsidiary of Madison Investment Holdings, Inc. Frank E. Burgess is the principal owner of Madison Investment Holdings, Inc.

Our People

Rather than manage assets on a “star” or portfolio manager system, all of our clients’ portfolios are managed on a team basis. The team at Madison Scottsdale (in alphabetical order) consists of the following individuals:

Christopher C. Berberet – Senior Portfolio Manager

Mr. Berberet is one of the Managing Directors of Madison Investment Advisors and serves in a dual role as Senior Portfolio Manager at Madison Scottsdale. He holds a BBA in Finance from the University of Wisconsin and has held the Chartered Financial Analyst designation since September 1988. Mr. Berberet has served as one of the senior fixed-income investment officers at Madison Investment Advisors since joining the firm in 1992 and has been involved in both management and peer review of Madison Scottsdale client portfolios since its founding in 1993. Mr. Berberet also serves on the Madison Investment Advisors Investment Strategy Committee.

William K. Fain – Senior Vice President and Chief Investment Officer

Mr. Fain joined Madison with almost two decades of experience managing taxable and tax-advantaged portfolios for insurance companies. Mr. Fain holds a BS in Finance from the University of Rhode Island and an MBA in Finance from Michigan State University. He previously held the position of Vice President of Portfolio Management at a large, multi-line

insurance consortium where he managed various affiliated company and external insurance client portfolios and spent several years prior to that managing the treasury operations for a regional property and casualty insurance company.

Anjanette Fowler – Senior Vice President and Portfolio Manager

With over 20 years of experience in the investment management arenas of several insurance companies, Ms. Fowler brings a valuable understanding of the unique investment, statutory and accounting considerations particular to our insurance clients and the industry. Prior to managing insurance company portfolios, she directed the Investment Accounting department for a large insurance group. Ms. Fowler holds a BS in Finance from Arizona State University.

Donald J. Miller – Vice President and Portfolio Manager

Mr. Miller joined our firm with over 20 years of insurance company and bank investment management experience. Mr. Miller managed the both fixed income and equity portfolios for Illinois Mutual Life Insurance Company for 15 years prior to joining Madison Scottsdale. He previously served as an investment officer and portfolio manager for Bank One Investment Advisors in central Illinois. He currently holds the CFA designation and has an MBA from Bradley University in addition to his undergraduate degree in Finance from Creighton University and a General Banking degree from the University of Illinois.

Alyssa Johnson – Assistant Vice President and Operations Manager

Ms. Johnson holds a BS in Business Management from Arizona State University in Tempe, Arizona, and has several years experience in the insurance industry prior to joining Madison Scottsdale. Ms. Johnson is responsible for supervising the operations and investment accounting administration for the firm.

Jeffrey L. Sims – President and Senior Managing Director

Mr. Sims joined our firm with over two decades experience in finance and investments, with a special emphasis in the insurance industry. Prior to joining Madison Scottsdale, Mr. Sims held several executive financial officer positions within the insurance industry including Chief Financial Officer, Chief Investment Officer and head of mergers and acquisitions. He currently holds both the CPA and CLU designations and is a Business graduate of the University of Texas. In addition to corporate development and client relationships, Mr. Sims is responsible for overall strategic development of client portfolios.

The investment research and guidance from our Wisconsin-based affiliates, Madison Investment Advisors, Madison Asset Management and Madison Investment Holdings (collectively “Madison”), is important to our firm. Madison is overseen by a team of its most senior members and largest shareholders:

Christopher C. Berberet – Managing Director, Madison

Mr. Berberet provides valuable insights into our investment management process. Mr. Berberet holds a B.B.A. in finance from the University of Wisconsin, is a Chartered Financial Analyst.

Frank E. Burgess – President, Chief Executive Officer and Executive Director, Madison

Mr. Burgess is the founder of our firm, the principal owner and the President of Madison Investment Advisors. Mr. Burgess founded Madison in 1974.

Brian J. Cleven – Managing Director, Madison

Mr. Cleven holds an MBA from Northwestern University and his undergraduate degree from the University of Wisconsin.

Elizabeth A. Dettman – Managing Director and CFO, Madison

Ms. Dettman is Madison’s Chief Financial Officer with an accounting degree from Valparaiso University.

Richard A. Eisinger – Managing Director, Madison

Mr. Eisinger is the lead equity manager for Madison’s mid-cap equity strategies. Mr. Eisinger holds both an MBA from Cornell University and a law degree from the University of Louisville.

Katherine L. Frank – Chief Operating Officer and Executive Director, Madison

An Economics graduate of Macalaster College, Ms. Frank is the Chief Operating Officer of Madison.

Paul A. Lefurgey – Managing Director, Madison

Mr. Lefurgey serves as the head of fixed-income investments for Madison. Mr. Lefurgey holds a CFA designation and received his BA from Michigan State University.

Michael J. Schlageter – Chief Marketing Officer and Executive Director, Madison

Mr. Schlageter obtained his business degree from the University of Notre Dame and serves as the Madison's Chief Marketing Officer.

Jay R. Sekelsky – Chief Investment Officer and Executive Director, Madison

Mr. Sekelsky serves as the head of equity investments for Madison. He holds a BBA and MBA from the University of Wisconsin and has earned both the CPA and CFA designations.

Michael R. Yaktus – Managing Director, Madison

Mr. Yaktus holds a BBA in Finance and Accounting from the University of Wisconsin. In addition, Mr. Yaktus has obtained both the CPA and CFP designations.

Our Services

We specialize in managing the assets of insurance and other companies governed by state insurance law and regulation. We draft specific investment plans for and tailored to the unique needs of each client. As such, we may invest in common and preferred stocks, corporate, government, government agency and municipal bonds, money market instruments and such other securities we may select as appropriate for a client within its written investment guidelines and state insurance regulations, if applicable.

Discretionary Management

We have discretionary authority to make determinations regarding the securities that are to be bought and sold, as well as the quantities of such securities, for most clients. Such authority is provided in our contract with each client. In many cases, this discretion is subject to mutually agreed upon investment guidelines relative to the client's portfolio. Client investment guidelines may or may not limit the scope of potential investments. As a result, clients can impose restrictions on investing in certain securities or types of securities.

Depending on client or state insurance law requirements, we may manage a portion of a client's overall account on a non-discretionary basis. We will not normally manage an entire client account on a non-discretionary basis.

Our Assets Under Management

As of December 31, 2010, Madison Scottsdale, LC managed approximately \$1,766,497,000 billion in assets on a discretionary basis and approximately \$2,509,000 on a non-discretionary basis.

Together with our affiliated investment advisory firms described below in the section entitled, "Other Financial Industry Activities and Affiliations," the Madison organization managed approximately \$15 billion in assets on a discretionary basis as of December 31, 2010.

FEES AND COMPENSATION

Fee Schedules

Financial Institutions (accounts over \$10 million)

On the first \$10 million	0.35% annually
On the next \$20 million	0.25% annually
On the next \$40 million	0.125% annually
On the balance	0.10% annually

Financial Institutions (accounts under \$10 million)

On the first \$3 million	0.75% annually
On the next \$7 million	0.30% annually
On the balance	same as above

Other Accounts

On the first \$5 million	0.8% annually
On the balance	0.6% annually

Depending on unique circumstances (e.g., another existing account relationship with a client, etc.), fees may be subject to negotiation.

How We are Paid

We generally require fees to be computed and payable quarterly in advance based on the valuation of assets under management on the last day of the prior quarterly period. Clients may select whether they prefer us to automatically deduct fees from their accounts or send them a bill for fees incurred.

Other Fees You Should Understand

Portfolio Transaction Costs. We do not have custody of client assets. Therefore, each client must appoint a custodian and may be required to pay custodian fees. Also clients will generally incur brokerage and other transaction costs in the course of our management of their accounts. (See the section in this brochure entitled, "Brokerage Practices" for a discussion of how we make brokerage decisions that affect client accounts.)

Schedule D Reporting Services. We have arranged for certain insurance company clients to receive, at their request, investment accounting and Schedule D reporting services for a separate fee.

Investments in Investment Companies. Because we may invest client accounts in exchange traded funds (or "ETFs"), you should understand that the ETF itself pays the manager of the fund an investment advisory fee like most other investment companies. Therefore, to the extent we invest in ETFs for your account, in addition to the fee you pay to us to manage your account, you will indirectly pay your *pro rata* portion of the management fee of the ETF in which your account is invested. That fee is described in the offering materials (prospectus) for the ETF. Likewise, the same types of fees are paid in connection with any money market mutual fund that may hold the cash balances in your account.

Refunds of Advance Fees Paid

We may not change our fees without sixty days' advance written notice. In the event of the termination of our services, any unearned portion of fees previously paid is prorated and fully refundable. A client may terminate an agreement with us at any time by written notice to us.

Investments in Affiliated Funds

Because Madison Scottsdale is affiliated with Madison Investment Advisors and Madison Asset Management, both of which manage investment companies, we will not charge you, as a client of Madison Scottsdale, an investment advisory fee on assets that are invested in any investment company managed by any of the investment adviser affiliates in the Madison family. This includes investments in any MEMBERS or Madison Mosaic mutual fund or closed-end fund. However, you should be aware that our affiliates allocate the investment advisory fee paid by the investment company (after reduction of any fees for services that are paid to third parties by our affiliate out of that advisory fee payment) that is attributable to your investment in the applicable investment company to Madison Scottsdale as additional revenue. For a complete discussion of the charges and expenses of any investment company, you should carefully read the fund's prospectus. The fund's advisory fee may be higher or lower than the fee a client may be paying on other assets that we manage in the client's account. Of course, to the extent the fee paid by the fund is higher than the client's account fee, any recommendation by us to invest in the fund represents a potential conflict of interest.

PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT.

Certain "qualified clients" (as defined by Rule 205-3(d) under the Investment Advisers Act of 1940) may enter into an advisory contract that provides for compensation on the basis of a share of the capital gains upon, or the capital appreciation of, the qualified client's funds. This is commonly referred to as a "performance fee."

We have no present intention of managing client accounts with a performance fee.

TYPES OF CLIENTS

We provide specialty investment advisory services to financial institutions, particularly insurance companies. A representative client list is available upon request.

Our minimum account size for insurance companies is typically \$10,000,000. In addition, we reserve the right to refuse to accept proposed management responsibilities or to resign from the management of any individual account. We may accept smaller accounts on a case-by-case basis from clients that are considered “start-ups.”

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Our Investment Strategies

Experience has shown us that most insurance companies are extremely well versed in their own business activities, yet often find making complex investment decisions a daunting task. Most investment management firms, however, do not fully understand the world in which insurance companies operate. It is critical that any investment manager hired to manage an insurance company portfolio have a full and complete knowledge of the insurance business. Insurance company portfolios cannot be managed in a vacuum, as investment decisions have a direct impact on all areas of their business. The investment manager must be aware of this at all times and make portfolio decisions accordingly.

Our investment management effort is proactive and addresses the issues that continually confront our clients (i.e., tax issues, impact of mark-to-market securities, risk-based capital, etc.). This begins with getting to know our client’s needs, and then developing a customized investment program based on individual needs and circumstances.

The principal objective in managing insurance company assets is to protect and grow surplus. As such:

- Client specific considerations can often overrule investment ones.
- Portfolio construction is just as important as security selection.
- Extreme positions are seldom appropriate.
- Absolute performance is as meaningful as relative performance.

Because each insurance company generally has unique needs and is subject to different regulatory requirements, it is not possible to establish a firm-wide investment strategy that can be used for every client. The following information, therefore, reflects the general investment strategy and philosophy followed by our firm. Within these strategies and philosophies, our general investment strategies are to make long term (securities held at least a year) and short term (securities sold within a year) purchases of securities for client accounts.

Fixed-Income. Our strategy is to determine the overall direction of interest rates and position durations accordingly. We analyze the yield curve to determine the most advantageous portfolio construction. We determine the relative attractiveness of corporate vs. government and/or government agency securities. Based on the results of our analysis, we adjust durations/maturities when conditions indicate and shorten portfolio exposure when necessary to preserve capital.

Equity and ETFs. We identify companies that have had consistent growth and which we believe demonstrate sustainable future growth, rather than “hot” stocks or “trendy” growth companies with comparatively high share values. We look for companies that we believe have underappreciated future growth prospects, are currently out of favor due to a short term, correctable problem or are transforming into a faster growth, higher margin business model. We believe the stocks of these issuers have a blend of both value and growth potential: What we call “GARP” for “growth at a reasonable price.” In addition, if appropriate for any client, we may invest client assets in portfolios of ETFs that we believe will provide the equity exposure and diversification suitable for the client.

Cash Management

Each client custodian “sweeps” non-invested cash balances in client accounts every day into a money market account selected by the client and offered as a service by the custodian. At a client’s request, we will recommend the sweep vehicle among the choices offered by the custodian. In that case, we make a recommendation based on our understanding of the client’s tax status and risk preferences. We do not direct cash sweeps to our proprietary mutual fund money markets.

Money market sweeps generally fall into three categories: government money market funds, prime rated money market funds (commercial paper), and tax-exempt money market funds (municipal vehicles). The process and mechanics are the same for equity and fixed income clients.

Class Action Settlements

Although we may be authorized to vote proxies in client accounts as described below in the section entitled, "Voting Client Securities," we will not handle or otherwise process any potential "class action" claims or similar settlements that clients may be entitled to for securities held in client accounts. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with his/her/its custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

Risk

Although we work hard to preserve your capital and achieve real growth of client wealth, investing in securities involves risk of loss that each client should be prepared to bear. Typical investment risks include market risk typified by a drop in a security's price due to company specific events (such as an earnings disappointment or a downgrade in the rating of a bond) or general market activity (such as occurs in a "bear" market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up.

DISCIPLINARY INFORMATION

There are no legal or disciplinary events that we believe are material to a client's evaluation of our business or the integrity of our management.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Investment Adviser Affiliates

Our Madison Investment Advisors, LLC affiliate serves as investment adviser to individuals, institutions, wrap accounts and investment companies. Madison Investment Advisors, LLC is a separately registered investment adviser and like Madison Scottsdale, it is a subsidiary of Madison Asset Management.

Our New York affiliate, NorthRoad Capital Management LLC, New York, New York, is also a separately registered investment adviser. NorthRoad's services and clientele are similar to those of Madison Investment Advisors and it specializes in international equity management. Madison Asset Management owns a majority interest in NorthRoad.

Concord Asset Management, LLC, located in Chicago, Illinois, is also a separately registered investment adviser. Concord's services and clientele are similar to those of Madison Investment Advisors. It is also a subsidiary of Madison Asset Management.

Finally, our Madison Asset Management, LLC affiliate is a joint venture with CUNA Mutual Insurance Society ("CUNA Mutual"). Madison Asset Management serves as investment adviser to mutual funds, closed-end funds and wrap accounts. While Madison Investment Holdings, Inc. controls Madison Asset Management, CUNA Mutual has a non-voting equity interest in the firm.

As disclosed above, Madison Investment Holdings, Inc. (f/k/a Madison Investment Advisors, Inc. prior to December 1, 2010), a separately registered investment adviser, is the parent company for the Madison organization.

Registration does not imply a certain level of skill or training.

Investment Company Affiliates

Our Madison Investment Advisors affiliate sponsors and acts as investment adviser to the Madison Mosaic Funds family of no-load mutual funds consisting of 13 separate funds. Some of its officers hold offices in each fund, with Frank Burgess and Katherine Frank serving as a Trustee of most funds. As part of the Madison organization, we receive management fees indirectly from these funds.

Likewise, we act as investment adviser, through our Madison Asset Management affiliate, to the MEMBERS Mutual Funds (consisting of 13 separate funds) and Ultra Series Fund (consisting of 17 separate funds), as well as to the Madison Institutional Equity Option Fund (a series of Madison Mosaic Equity Trust). In addition to these mutual funds, Madison

Asset Management is the investment adviser to the Madison Strategic Sector Premium Fund (“MSP”), a closed-end fund traded on the New York Stock Exchange (“NYSE”), and subadvises the Madison/Claymore Covered Call and Equity Strategy Fund, also a closed-end fund traded on the NYSE. Like the Madison Mosaic Funds, some of Madison Asset Management’s officers hold offices in each of the investment companies affiliated with Madison Asset Management. In particular, Frank Burgess serves as Trustee of each closed-end fund and Katherine Frank serves as Trustee of the MEMBERS Mutual Funds, the Ultra Series Fund and MSP.

As an affiliated company, we receive management fees indirectly through Madison Asset Management and we share our resources with those of our Madison, Wisconsin parent companies.

Broker-Dealer Affiliate

We also have an affiliated broker-dealer, Mosaic Funds Distributor, LLC, for the limited purpose of serving as the distributor of our affiliated mutual funds (MEMBERS Mutual Funds, the Madison Mosaic mutual fund family and Ultra Series Fund). Mosaic Funds Distributor does not perform any other brokerage activities, has no employees of its own and other than its mutual fund services, the broker-dealer engages in no trades, transactions or other brokerage activities whatsoever. It is not permitted to perform any trades for our clients, including the accounts of our affiliated mutual fund portfolios, and does not carry customer accounts. A number of our employees are registered representatives of Mosaic Funds Distributor, LLC so that they can make offers of our affiliated funds to the public.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Our Code of Ethics

We have imposed restrictions upon ourselves or any person associated with us in connection with the purchase or sale, directly or indirectly, for their own account or accounts controlled by them, of securities recommended to or purchased for clients. We maintain strict guidelines and a Code of Ethics for all our employees designed to assure that we, or persons associated with us, may not benefit, directly or indirectly, from transactions made for the accounts of clients and that no other conflict of interest exists.

Generally, employees may not trade in any securities that are held in client portfolios if there is a possibility that we may be trading the same security on any client’s behalf within a week of the employee trade. Employees are also prohibited from investing in IPOs. We, our officers, employees or directors, are required to pre-clear securities trades in order to avoid a conflict of interest between individual and client interests. Our Code of Ethics contains various exemptions for personal securities trades that we believe do not involve potential conflicts, such as Treasury Securities, open-end mutual funds and stock of companies that we will not purchase for clients. A copy of our “Code of Ethics” is available to any person upon request.

Prohibition on Use of Insider Information

We have also adopted policies and procedures to prevent the misuse of “insider” information (material, non-public information). A copy of such policies and procedures is available to any person upon request.

BROKERAGE PRACTICES

In General

Unless we receive specific directions from a client regarding the placement of brokerage business, we will select the brokers and dealers to effect client transactions. Our first consideration in selecting a broker is whether the broker will provide the best execution of the desired transaction. In addition to best execution price, selection is based on the overall reasonableness of brokerage commissions paid and consideration of a variety of other factors. An important consideration is the receipt of research products, research services, access to brokerage firm analysis, and the availability of economic data, market data and research. Also important is the availability of quotations, statistics and other investment decision-making aids. See the discussion below entitled, “Research and Soft Dollar Benefits.”

Trading of Bonds

The purchase and sale of bonds is completely different from the process of buying and selling stocks (described below). Common stocks are traded on national exchanges or generally large, liquid over-the-counter (“OTC”) markets. Directed

brokers (see the discussion below entitled, “Directed Brokerage and Compensation for Referrals”) and virtually all others, have full access to these markets to efficiently execute common stock transactions. The vast majority of bonds are not traded on exchanges, but rather are purchased from or sold to brokers or dealers. Each broker/dealer maintains an inventory of bonds (bond “positions”) that it owns as a principal and holds for resale to its customers. The number and value of bonds that each broker holds varies, depending on the brokerage firm’s size, financial strength and involvement in the bond market. No one firm dominates this market or provides substantially all the buying/selling needs of a particular money manager for all of its clients.

We use a three-step process to buy/sell bonds for client accounts, as follows: (1) “free to trade” – if, with respect to a client account, we are free to choose the brokers we wish to trade with, we typically contact at least three brokers before executing a trade in order to seek best execution; (2) “in competition” – for client accounts that require us to include a designated broker in our list of trading partners, we will put that broker in competition with others and select the broker who provides us with best execution (in the event of a tie between brokers, the designated broker receives the trade); and (3) “directed” – if a client has directed us, through written notification, to trade with a specific broker, we will not contact any other broker and instead will negotiate with that broker on any particular trade. When bonds are purchased, the type, sector, maturity, coupon and yield objectives are determined. Under normal circumstances, we will identify the issue we wish to purchase. The broker is asked to offer all such issues available, noting the required block size for all clients using that broker and/or custodian. The broker will offer any bonds meeting our criteria available in its current inventory if we have not identified a specific issue.

If these initial offerings are inadequate, we will work closely with the broker to locate additional attractive bonds from other dealers. We believe this to be in our clients’ best interest because it gives clients access to the best priced, most attractive securities from a number of dealers. By aggregating the purchases or sales of a broader base of clients, including those who use other brokers and/or custodians, we may be able to find additional bonds available in larger blocks, resulting in better overall prices.

When the client designated directed broker confirms a specific transaction, the same applicable commission agreed upon by the client shall be received by the broker as a principal, regardless of whether the bonds were acquired directly from the directed broker or indirectly from another broker/dealer. The commission may differ between our clients due to the dollar value or number of bonds being purchased or sold, the maturities of the bonds and the total arrangement between the client and their broker. These practices are followed unless they are specifically modified or limited by Madison Scottsdale or the client.

Trading of Common Stocks

When we trade the same security in more than one client account at the same time, we attempt to batch or “bunch” the trades in order to create a “block transaction.” Generally, buying and selling in blocks helps create trading efficiencies, prompt attention and desired price execution. Due to the unique needs of our insurance company clients, however, executing trades in block transactions for them is more of an exception than the rule.

We will place all or substantially all transactions to purchase or sell common stocks with the client’s “directed” broker, when applicable. (See the discussion below entitled, “Directed Brokerage and Compensation for Referrals.”) Whenever possible, we will attempt to batch or aggregate trades for clients who use the same directed brokers in order to create a “block transaction.”

The commission amount and per share commission rate will differ between our clients with directed brokerage relationships versus those clients that do not have such relationships due to the dollar value and the size (number of shares) of the trade for each account, and the total relationship between the client and their broker. Because each client may differ in portfolio size, investment objective, equity exposure and the extent of the relationship with their broker, we do not negotiate commission discounts on the block transaction itself.

For clients that do not direct the brokerage on their accounts, we may use non-market maker brokers to execute securities traded OTC. To fill OTC trades, non-market makers may transact with a market-making broker on the other side of the trade. A market-making contra broker may mark-up or down a security for which it makes a market. If this happens, this is a cost that such clients will incur in addition to the regular commission the non-market maker charges to perform the trade on an “agency” rather than a “principal” basis. Generally, the OTC trades we will execute in this manner will involve companies with large market capitalizations and/or high average daily trading volume and we monitor the price and execution we receive for such trades. We believe such clients receive best price and execution under the circumstances when using such non-market makers.

Cross Trades

There may be occasions when we will sell a particular security for one of our clients (for example, because the client needs to raise cash or is changing investment priorities) at the same time that we buy the same type of security for another client or a new client. In such situations, we can reduce transaction costs to both clients by identifying a particular security and instructing a broker to sell from one account and purchase in the other. This is known as a “cross trade.” Although we believe the transaction benefits both clients, you should be aware that we represent the interests of both the selling and buying client in the same transaction, and, as a result, may have conflicting loyalties at the time we effect a cross trade. For this reason, we always execute such trades through a third party broker who determines the respective purchase and sale price based on the market.

Directed Brokerage and Compensation for Client Referrals

When executing transactions for a client account, we may place all or a portion of the transactions with a broker with whom the client has a special advisory or consulting relationship. Such transactions are placed with a broker who may have provided manager selection services, performance measurement services, asset allocation services, or a variety of other consulting or monitoring assistance to the client, all with the specific knowledge and full approval of the client.

We do not maintain agreements with referring brokers regarding our internal allocation of brokerage transactions. However, all or a sizable portion of a particular client’s brokerage transaction business may be directed to a particular broker if the client has directed, agreed or stipulated us to do so. Commissions are not intended to compensate brokers for client referrals.

With regard to client directed brokerage, we are required to disclose that we may be unable to negotiate commissions, block or batch client orders or otherwise achieve the benefits described above, including best execution, if you limit our brokerage discretion. Directed brokerage commission rates may be higher than the rates we might pay for transactions in non-directed accounts. Also, clients that restrict our brokerage discretion may be disadvantaged in obtaining allocations of new issues of securities that we purchase or recommend for purchase in other clients’ accounts. It is our policy that such accounts not participate in allocations of new issues of securities obtained through brokers and dealers other than those designated by the client. As a general rule, we encourage each client to compare the possible costs or disadvantages of directed brokerage against the value of the custodial or other services provided by the broker to the client in exchange for the directed broker designation. Simply put, directing brokerage may cost clients more money.

Other Fees in Connection with Trading

In our efforts to achieve best execution of portfolio transactions, we may trade securities for client accounts by utilizing electronic marketplaces or trading platforms. Some of these electronic systems may impose additional service fees or commissions. We may pay these fees directly to the provider of the service or these fees may be included in the execution price of a security. Our intention is that we will only use such systems and incur such fees if we believe that doing so helps us to achieve the best execution of the applicable transaction, taking into account all relevant factors under the circumstances. For example, we will consider the speed of the transaction, the price of the security, the research we receive (in equity transaction effected in this manner), our ability to block the transaction and other factors discussed in this Brokerage Practices section in connection with trading of stocks and bonds.

Accounts with Different Investment Objectives

It is possible that we or our affiliates may manage accounts of clients whose investment objectives are substantially different from one another. As a result, it is possible that it would be appropriate for us to sell a security “short” from one account while holding it “long” in another account. This may occur if we or one of our affiliates manage an account that involves significant short term trading or pursues unique options strategies. In general, however, our positions with regard to any security will be net long. The Madison organization seeks to avoid a conflict of interest by attempting to limit such situations to, for example, instances in which there is a readily available supply of the securities being purchased or sold and the transactions in a security do not affect its market price.

Research and Other Soft Dollar Benefits

Our firm has a standing Brokerage Committee consisting of members of our portfolio management team. The committee meets quarterly to review the quality of brokerage execution obtained on behalf of our clients and to monitor our use of soft dollar research (if any) and brokerage services received in connection with client transactions. During our last fiscal year, the firm did not utilize equity commissions paid for purposes other than brokerage services. The committee was satisfied with the quality of brokerage obtained by our firm for its clients.

We do not currently seek so-called “soft dollar” benefits through client brokerage, although we may do so in the future. Obtaining the best price and execution of trades is of utmost importance in placing transactions. If a broker is allowed a commission in excess of that which another broker might have charged for executing the same transaction, it is done in

recognition that such broker's special services are of great importance to us and our client(s). Research services furnished by brokers may be used in servicing all of our accounts; all clients benefit from the research received from all brokers with whom we deal. Although we seek best execution of transactions, you should understand that obtaining research and services by means of soft dollar benefits represents a conflict of interest since it enables us to receive research that we might otherwise have to purchase with our own money. (See, also, the section above entitled, "Other Fees in Connection with Trading.")

What is the "research" that would be paid for with soft dollars? Research refers to services and/or products provided by a broker, the primary use of which must directly assist us in our "investment decision-making process" and not in the management of our firm. The term "investment decision-making process" refers to the quantitative and qualitative processes and related tools we use in rendering investment advice to our clients, including financial analysis, trading and risk analysis, securities selection, broker selection, asset allocation, and suitability analysis.

Research may be proprietary or third party. Proprietary research is provided directly from a broker (for example, research provided by broker analysts and employees about a specific security or industry or region, etc.). Third party research is provided by the payment by a broker, in full or in part, for research services provided by third parties. Both types of research may involve electronically and facsimile provided research and electronic portfolio management services and computer software supporting such research and services. Typical third party research providers include, by way of example, First Call Notes, Bloomberg, Research Direct, First Call Earnings Per Share Estimates, Baseline, Bondedge, ISI, Bank Credit Analysis, S&P Creditweek, Global Sector Review, etc. For example, a tool that helps us decide what might happen to the price of a particular bond following a specific change in interest rates is considered research because it affects our decision-making process regarding that bond.

We may receive from brokers products or services which are used by us both for research and for administrative, marketing or other non-research purposes. In such instances, we make a good faith effort to determine the relative proportion of our use of such product/service that is for research. Only that portion of the research aspect of the cost of obtaining such product/service may be paid for using soft dollars. We pay the remaining portion of the cost of obtaining the product or service in cash from our own resources.

We may receive products or services from brokers which we use for both research and for administrative, marketing or other non-research purposes. In such instances, we make a good faith effort to determine the relative proportion of our use of such product/service that is for research. Only that portion of the research aspect of the cost of obtaining such product/service may be paid for using soft dollars. We pay the remaining portion of the cost of obtaining the product or service in cash from our own resources.

We have an incentive to select a broker-dealer based on our interest in receiving the research or other services they can provide us. This incentive may conflict with client interests in receiving most favorable execution and our measurement of favorable execution may differ from that of a client. We believe we pay fair and reasonable brokerage commissions in return for research products or services provided by brokers. We may use research products or services provided by brokers in servicing any or all of our clients. Although we believe that all clients of our firm and its affiliates benefit from the research and services received by us from brokers, we may not necessarily use such research products or services in connection with the client accounts that paid commissions to or otherwise traded with the brokers providing such products or services.

REVIEW OF ACCOUNTS

We review our investment advisory accounts and managed portfolios frequently, with a general review occurring as often as weekly, and more specific reviews made less frequently but at least quarterly. We do not have a limitation on the number of client accounts assigned to any particular account officer, nor is there a precise sequence or review schedule. All portfolios are reviewed continuously rather than periodically. Accounts are reviewed by a peer review committee consisting of our office's investment personnel and certain members of Madison's Management Team.

Complete reports are furnished to all clients on a monthly basis. In addition, all clients receive separate monthly accounting reports from their portfolio custodian detailing all cash and asset transactions and activity. In general, meetings with clients are held at least annually, or more frequently, according to the stated desires of each client. Reports include an analysis of all assets under management, and current and historical performance.

CLIENT REFERRALS AND OTHER COMPENSATION

Refer to the section entitled “Brokerage Practices—Directed Brokerage and Compensation for Client Referrals,” above. We do not have arrangements to pay third parties any fees or other compensation for referring a client to our firm.

CUSTODY

We require each client to select a qualified custodian to hold its account. We will not serve in this capacity. Each client’s qualified custodian (bank or broker-dealer) will send quarterly or more frequent account statements directly to our clients. Clients are urged to compare the account statements they receive from their qualified custodians with the account statements we normally provide.

INVESTMENT DISCRETION

Please refer to the discussion entitled “Advisory Business—Discretionary Management,” above.

VOTING CLIENT SECURITIES

When you give us authority to vote proxies for securities held in your account, we do not assume the role of an active shareholder. Rather, if we are dissatisfied with the performance of a particular company, we will generally reduce or terminate our position in the company rather than attempt to force management changes through shareholder activism.

Nevertheless, our goal and intent is to vote all proxies in our clients’ best interests. For practical purposes, unless we make an affirmative decision to the contrary, when we vote a proxy as the Board of Directors of a company recommends, it means we agree with the Board that voting in such manner is in the interests of our clients as shareholders of the company for the reasons stated by the Board. However, if we believe that voting as the Board of Directors recommends would not be in a client’s best interests, then we must vote against the Board’s recommendation.

We will vote against the Board of Directors recommendation if the Board recommends an action that could dilute or otherwise diminish the value of your position. This may occur if we are unable to liquidate the affected securities without incurring a loss that would not otherwise have been recognized absent management’s proposal. This may also occur if the action would cause the securities held to lose value, rights or privileges and there are no comparable replacement investments readily available on the market. We may vote in a manner that could diminish the value of your position in the short-term if we believe it will increase the value in the long-term and we are holding the security in your portfolio for the long-term.

In the unlikely event that we are required to vote a proxy that could result in a conflict between your best interests and the interests of our firm, we may alert you or your representative in advance to obtain your consent or direction on how to vote a proxy under such circumstances. In general, however, in the event of a conflict, we will seek the advice of a knowledgeable, independent third party as to how to vote.

If you would like to know how we voted any proxy in your account, please contact your account portfolio manager and he or she will give you that information. You may also request a complete copy of our written proxy voting procedures by calling us at 800-767-8020 to request a copy.

REPRESENTATIVE CLIENT LIST

Corporate, municipal, and other institutional clients may be identified as such in our firm’s representative client or reference lists (the identities of individual (i.e., “natural person”) clients are never so disclosed absent written client permission).

EDUCATION AND BUSINESS BACKGROUND

Madison Scottsdale, LC has definite standards of education and business experience required of all persons that manage portfolios, provide performance analysis or provide investment advice to clients. Such background includes appropriate college degrees, meaningful financial experience, and/or advanced degrees in finance or related fields. None of our managers has any disciplinary history.

The following individuals are involved in the decision-making processes for clients of Madison Scottsdale, LC:

Christopher C. Berberet, Portfolio Manager, Madison Scottsdale, and Managing Director, Madison Investment Advisors, born 1959, graduated from the University of Wisconsin in 1981 with a BBA in finance. Earned CFA designation in September 1988. Employed by the Madison organization since February 1992.

Frank E. Burgess, Executive Director and President, Madison Investment Advisors, born 1942, graduated from Iowa State University in 1964 with a BS in Engineering. Graduated from University of Wisconsin in 1967 with a JD in Law. Has been employed by the Madison organization since founding the firm in 1974.

Richard A. Eisinger, Managing Director, Madison Investment Advisors, born 1965, obtained a J.D. from the University of Louisville School of Law and an MBA in Finance from Cornell University's Johnson Graduate School of Management. Employed by the Madison organization since July 1997.

William K. Fain, Senior Vice President and Chief Investment Officer, Madison Scottsdale, born 1959, holds a BS in Finance from the University of Rhode Island and an MBA in Finance from Michigan State University. Mr. Fain brings more than 15 years of experience, having previously held the position of Vice President of Portfolio Management at Allmerica Asset Management, a subsidiary of a large, multi-line insurance consortium where he managed various affiliated company and external insurance client portfolios. He spent several years prior to that managing the treasury operations for a regional property and casualty insurance company. Mr. Fain joined Madison Scottsdale in 2002.

Anjanette Fowler, Senior Vice President, Madison Scottsdale, born 1964, graduated from Arizona State University in 1986 with a BS in Finance. Joining Madison Scottsdale in October 1995, Ms. Fowler brings over 20 years experience in the insurance and investment arena, having been previously employed by American Founders Life Insurance Company and National American Life Insurance Company of California.

Katherine L. Frank, Executive Director and Chief Operating Officer, Madison Investment Advisors, born 1960, graduated from Macalaster College in St. Paul, MN in 1982 with a BA in Economics and Business. Employed by the Madison organization since September 1986.

Paul A. Lefurgey, Managing Director, Madison Investment Advisors, born 1964, graduated from Michigan State University with a B.A. in Accounting. He earned the CFA designation in 1993. Mr. Lefurgey was previously with Members Capital Advisors as Head of Fixed Income and Duff & Phelps Investment Management Company in Chicago where he also served as Portfolio Manager and Head of Fixed Income.

Donald J. Miller, Vice President and Portfolio Manager, Madison Scottsdale, born 1966, graduated from Creighton University in 1989 with a BS in Finance and MBA from Bradley University in 1992. Mr. Miller also received a General Banking degree from the University of Illinois in 1993 and hold the CFA designation. Mr. Miller brings a wealth of experience in the field of insurance company asset management to Madison Scottsdale. Prior to joining Madison Scottsdale in 2010, Mr. Miller served as fixed income and equity portfolio manager for 15 years for Illinois Mutual Life Insurance Company of Peoria, Illinois in his role as Assistant Vice President of Investment/Treasury. Prior to his role at Illinois Mutual, Mr. Miller was an investment officer and portfolio manager with Bank One Investment Advisors' Trust Investment Division.

Christopher W. Nisbet, Vice President, Madison Investment Advisors, born 1968, graduated from the University of Wisconsin in 1993 with a BA in Economics and an MS in Finance and Investments in 1998.

Jay R. Sekelsky, Executive Director and Chief Investment Officer, Madison Investment Advisors, born 1959, graduated from the University of Wisconsin in 1981 with a BBA in Accounting, and in 1987 with an MBA in Finance. Became CPA in 1982 and CFA in 1989. Has been employed by the Madison organization since January 1990.

Michael J. Peters, Vice President, Madison Investment Advisors, born 1964, graduated from Valparaiso University in 1986 with a BS in Business Administration. He received his MBA degree from Indiana University in 1989 in Finance and Accounting and was awarded the CFA designation in 1993.

Michael J. Schlageter, Executive Director and Chief Marketing Officer, Madison Investment Advisors, born 1957, graduated from the University of Notre Dame in 1979 with a BBA in Business Administration. Employed by the Madison organization since August 1986.

Jeffrey L. Sims, President and Senior Managing Director, Madison Scottsdale, born 1958, currently holds both the CPA and CLU designations and is a Business graduate of the University of Texas. Mr. Sims joined Madison/Madison Scottsdale in September 1997 with almost 20 years experience in finance and investments, with a special emphasis in the insurance industry. Prior to joining Madison, Mr. Sims held several executive financial officer positions, including Chief Investment Officer, in the insurance industry and had previously worked with insurance companies while at Ernst & Young.

FACTS**WHAT DOES MADISON SCOTTSDALE
DO WITH YOUR PERSONAL INFORMATION?****Why?**

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and transaction history
- Account balances and account transactions
- Assets and wire transfer instructions

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share investors' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their investors' personal information; the reasons the Madison organization chooses to share; and whether you can limit this sharing.

Reason we can share your personal information	Does Madison Investment Advisors share?	Can you limit this sharing?
For our everyday business purposes— such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes— to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes— information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes— information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?

Call 1-800-767-0300 or go to www.madisonadv.com.

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Who we are

Who is providing this notice?	Madison Scottsdale, LC, 8777 N. Gainey Center Drive, Suite 220, Scottsdale, AZ 85258
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What we do

How does Madison protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Madison collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> ▪ Open an account or provide account information ▪ Pay your bills or make deposits or withdrawals from your account ▪ Give us your contact information <p>We also collect your personal information from other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> ▪ sharing for affiliates' everyday business purposes—information about your creditworthiness ▪ affiliates from using your information to market to you ▪ sharing for nonaffiliates to market to you <p>State laws and individual companies may give you additional rights to limit sharing.</p>

Definitions

Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ▪ Our affiliates include companies with a common "Madison," "Mosaic" or "MEMBERS" name; financial companies such as Madison Investment Advisors and Mosaic Funds Distributor.
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ▪ Madison Scottsdale does not share with nonaffiliates so they can market to you.
Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> ▪ Madison Scottsdale does not jointly market.

Other important information