

Form ADV Part 2A Appendix Wrap Fee Program Brochure

VSR Advisory Services

A Division of VSR Financial Services, Inc.

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April 1, 2012

This Wrap Fee Program Brochure provides information about the qualifications and business practices of VSR Advisory Services. If you have any questions about the contents of this Brochure, please contact us at 800-800-3177. 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.

VSR Advisory Services is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about VSR Advisory Services also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Wrap Fee Program Brochure, dated April 1, 2012, is our disclosure document prepared according to the SEC's new requirements and rules. Although the format of this document is similar in many respects to prior Schedule H wrap fee program brochures, it does contain additional new information that was not previously required.

After our initial filing of this Brochure, this section will be used to provide our clients with a summary of new and/or updated information.

We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will send you a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

You may obtain a copy of the brochure by contacting Beth Boal at 1-800-800-3177, or by going to the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any person(s) affiliated with VSR Financial Services who are registered, or are required to be registered, as investment representatives of VSR Financial Services.

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Item 4 - Services, Fees and Compensation

Services

VSR Advisory Services is a division of VSR Financial Services, Inc. VSR Financial Services, Inc., (VSR) is registered as a Broker-Dealer and Investment Adviser with the United States Securities and Exchange Commission ("SEC") and as a broker-dealer with all 50 states. Registration of an Investment Adviser does not imply any level of skill or training.

VSR is the sponsor of this Wrap-Fee Program (hereinafter the "Program"). A "wrap-fee" program is one that provides the client with investment management, brokerage, reporting, and other related services for one fee. VSR solicits advisory clients for the Program through its independent contractor relationships with its advisory representatives who are duly registered to offer fee based financial products. VSR will not accept a client into the Program who isn't introduced by an advisory representative.

The advisory representative will assist the client in determining their current financial situation, financial goals and attitudes towards risk. Based on this information the advisory representative will assess the client's situation and determine an appropriate asset allocation. Once an appropriate asset allocation is determined with a client, the individual portfolios will be managed by the advisory representative on a discretionary basis.

Portfolios will be invested primarily in mutual funds and exchange traded funds (ETF's), but may also be invested in money market funds and cash, among other investment types. The advisory representative will make changes on a discretionary basis with respect to a client's account based on market, economic, or political circumstances, and the individual characteristics of the securities in the portfolio.

The advisory representative will inform clients of their methods of analysis, sources of information, and investment strategies used by the advisory representative in managing client accounts. Clients will have the right to impose reasonable restrictions on securities or sectors that should not be included in their portfolio.

The Program may be offered to individuals and businesses. The Program is designed to continuously manage the client's account based on the individual needs of the client.

ERISA Accounts

If this Agreement is entered into by a trustee or other fiduciary, including but not limited to someone meeting the definition of "fiduciary" under the Employee Retirement Income Security Act of 1974 ("ERISA") or an employee benefit plan subject to ERISA, the trustee or other fiduciary represents and warrants to VSR that the Client's participation in the Program is permitted by the relevant governing instrument of such plan, and that the Client is duly

authorized to enter into this Program. Client agrees to furnish Adviser with any documents as it shall reasonably request with respect to the foregoing. Client further agrees to notify Adviser in writing of any event which might affect this authority or the validity of this Agreement. Please see the Client Agreement for additional information regarding ERISA Accounts.

Termination of the Advisory Relationship

This Agreement may be terminated by either party at any time upon 5 days prior written notice to the other party. You will receive a full refund of all fees if this Agreement is canceled within 5 days after the date hereof, less any fees actually earned by us during the 5-day period as a result of advisory services performed. Termination of this Agreement will not affect the validity of any action taken by your designated Representative or us prior to termination of this Agreement, or your obligation to pay any fees earned under this Agreement. Within 30 days after we receive notice of termination, we will mail you a pro-rata refund of any fees paid in advance.

Fees

VSR charges a wrap-fee for participation in the Program. A portion of the fee is retained by VSR while the remainder is remitted to the advisory representative. The wrap-fee will be charged as a percentage of assets under management. Clients will be invoiced and fees will be directly debited from client accounts after the end of each calendar quarter. If there is not enough cash or funds in an account to pay a fee, the account will be rebalanced so as to generate a sufficient level of cash or funds to meet this expense. As part of this agreement you authorize the Custodian to deduct the wrap-fee from your account as directed by VSR. The fee calculation will be based on the average daily balance value of the assets in the client's Program account over the previous calendar month. Value is calculated as the market value or fair market value in the absence of market value. Each client account is mutually exclusive for purposes of determining the declining fee schedule. Please see the Account Agreement for the fee schedule.

Advisory Fees in General

Clients should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees. A client could also invest in a security or portfolio of securities directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist you in determining which investments are most appropriate to each client's financial condition and objectives. You should be aware that program fees charged may be higher or lower than those otherwise available if you were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory service provided. Our fee may be subject to negotiation depending upon a range of factors including, but not limited to, account size and overall range of services provided.

You should consider the value of these advisory services when making such comparisons. The combination of custodial, advisory and brokerage services may not be available separately or

may require multiple accounts, documentation, and fees. You should also consider the amount of anticipated trading activity when selecting among the programs and assessing the overall cost. Advisory programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings may result in higher fees than if commissions were paid separately for each transaction.

A portion of the fees or commissions charged for the programs described here may be paid to us in connection with the introduction of accounts as well as for providing client-related services within the programs. This compensation may be more or less than if you paid separately for investment advice, brokerage, and other services, and may vary depending on the program or services offered.

What services are not covered by the Program fees?

Program advisory fees may not include certain securities transaction fees that may be charged by the Client's custodian or regulatory authorities. These fees would be charged separately from the Program fee. In evaluating such an arrangement, the client should also consider that, depending upon the level of the fee charged by the custodian/broker-dealer, the amount of portfolio activity in the client's account, and other factors, the fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients. In addition, the Wrap-Fee does not include certain administrative fees that may be charged; for example, wire transfers, annual charges for qualified accounts, certificate issues, IRA custodial fees, safekeeping fees, interest charges on margin loans, exchange fees, and fees for transfers of securities.

Mutual Funds

All fees paid to VSR for investment advisory services are separate and distinct from the fees and expenses that may be charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client.

Exchange-Traded Funds

Shares of ETFs held in client accounts are bought and sold on an exchange and not, like mutual funds, directly from the fund itself. The price of ETF shares fluctuates in accordance with changes in the net asset value (NAV) per share, as well as in response to market supply and demand. Accordingly, ETF shares may trade at a price which differs from NAV per share of the ETF.

All fees paid to VSR for investment advisory services are separate and distinct from the fees and expenses that may be charged by ETF's to their shareholders. These fees and expenses

are described in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client.

Conflicts of Interest

VSR or individuals associated with VSR may buy or sell securities identical to, or different from those recommended to clients for their personal accounts.

It is the policy of VSR that no person associated with the firm may purchase or sell any security immediately prior to a transaction(s) being implemented for an advisory account, in order to prevent such employees from benefiting from transactions placed on behalf of advisory accounts.

Advisory representatives may receive incentive awards for attaining certain overall levels of achievement. These awards are not product or program specific, however the receipt of this compensation may affect a representative's judgment in recommending products to clients.

Item 5 - Account Requirements and Types of Clients

Type of Client

VSR's Advisory Representatives provide services to individuals, pension and profit-sharing plans, charitable institutions, foundations, endowments, trusts, estates and corporations.

Client relationships will vary in scope and length of service.

Account Minimums

VSR does not impose a minimum dollar value of assets for its wrap fee program.

Individual Advisory Representatives may decline to provide services to clients whose assets are less than a certain size set by the Advisory Representative, or whose account value falls below certain limits set by them.

Item 6 – Portfolio Manager Selection and Evaluation

As each Advisory Representative is an independent advisor, they will provide all portfolio management activities. Each Advisory Representative will have their own style of investment management and will calculate performance returns and comparisons to appropriate benchmarks. Before entering into the Program clients should understand how the Advisory Representative's investment style will help them attain their investment objectives.

Types of Services Offered

Advisory Representatives may offer advice on a variety of investment products, including stocks, bonds, mutual funds, exchange traded funds (ETFs), structured products, managed futures products, and direct participation programs, among others. Depending on the type of investment, the recommendation may be made for a brokerage account (which charges a commission) or a managed account (which charges a fee).

The Advisory Representative determines the general investment advice to be provided to their clients based on information provided by the client. Background information regarding each Advisory Representative is contained in the Brochure Supplement, Part 2B of Form ADV. A copy of the Supplement will be provided to each client at or before the time that the client executes the advisory agreement with VSR Advisory Services.

VSR and the Advisory Representative will not provide any advice regarding whether to participate in class action lawsuits brought by a third-party against the issuers of securities held in an account.

VSR offers three types of advisory services: Financial Planning, Investment Supervisory/Investment Management Services, and Third-Party Advisers.

Financial Planning

The financial planning services provided by the Advisory Representative may involve a number of different services, depending upon the needs and desires of the client. Not all Advisory Representatives offer financial planning services, or offer the same types of financial planning services. The services that may be offered through the Advisory Representative include, but are not limited to, financial consultation services, portfolio reviews, retirement projections, asset allocation advice, estate tax projections, survivor income projections, education funding, insurance reviews, and disability income analysis. Advisory Representatives may offer additional services to particular clients. The client may include their other advisors, such as attorneys or accountants, in meetings with the Advisory Representative if they wish.

The financial plan will consist of various observations, assumptions, strategies and recommendations. The recommendations noted in the plan will be implemented at the discretion of the client. You may choose to implement all, some or none of the recommendations suggested. You also will have the discretion to implement the plan through any advisor or financial firm you choose.

The specific services to be rendered by the Advisory Representative will be described in the written contract between VSR and the client. The Advisory Representative will provide only the services described in the contract.

Investment Supervisory/Investment Management Services

Advisory Representatives are authorized to provide investment supervisory and investment management services on either a discretionary or non-discretionary basis. In discretionary accounts, the client authorizes the Advisory Representative to engage in securities transactions on the client's behalf without consulting the client in advance. In non-discretionary accounts, the Advisory Representative must get the client's permission prior to initiating transactions in the client's account.

Investment management services are provided pursuant to a written contract between VSR and the client. Under this contract, the Advisory Representative will direct (if a discretionary account) or recommend to the client (if a non-discretionary account) advice regarding buying, selling, reinvesting, or holding securities, cash, or other investments held in the managed account, based on the information provided by the client regarding their financial and personal situation, investment goals and objectives, and risk tolerance. If the client's personal or financial situation or objectives change they are advised to promptly notify their Advisory Representative.

The Managed Asset Planning Program

VSR Advisory Services has established The Managed Asset Planning Program for those clients who would like to have their investment assets managed by their Advisory Representative on a discretionary or non-discretionary basis.

Generally, the Advisory Representative designated by the client will manage the assets in the managed account, although the Advisory Representative may use a third party to manage the assets in the account. In those situations, the Advisory Representative will provide the client with the third party manager's disclosure documents. The assets in the account may be comprised of individual stocks, bonds, mutual funds, covered options, certificates of deposit, exchange traded funds, unit investment trusts, variable annuities, and other securities.

For most clients, the account assets may be invested largely, and sometimes entirely, in mutual funds. The mutual fund investments will be made only from those fund families that allow either no-load or load-waived investments. Mutual fund shares on which a load or commission was charged may not be purchased in the managed account, but may be purchased outside of the account and then transferred into the account. These shares will not be charged a management fee until a certain amount of time has passed (i.e. the Advisory Representative's management fee is deferred). See VSR's Advisory Services Fee Deferral Policy for more information.

VSR Advisory Services may adopt other policies regarding the character of the assets purchased or transferred into the managed account, and will provide such policies upon entering in a managed account agreement.

This is not a so-called “wrap-fee” program. The client may pay, in addition to the quarterly investment management fee, an Account Activation Fee, and any transaction charges assessed by the brokerage firm that holds the client’s account. However, the Advisory Representative shall waive or credit against the investment management fee all commissions that would otherwise be charged to the client for purchases of managed securities.

Each Advisory Representative will make his own determinations of how the account should be managed (for discretionary accounts), or the recommendations he makes to the client (for non-discretionary accounts) and use whatever research resources as he deems appropriate. Every Advisory Representative is required to have access to independent third-party information to assist generally in the selection of mutual funds or other investments for his clients’ accounts. The manner and extent to which the Advisory Representative uses such information is left to the discretion of the Advisory Representative. Clients are urged to discuss with their Advisory Representative the methods of analysis and strategies utilized by that Representative.

Third-Party Advisers

Advisory Representatives may recommend that the client engage the services of third-party investment advisers to provide investment management services regarding the client’s account. Third-party advisers will be recommended when the adviser’s strategy fits within a particular client’s investment objectives and risk tolerance. The services to be provided by the third-party adviser, the compensation to be paid, and other terms of the relationship between the client and the third-party adviser will be described in the third-party adviser’s disclosure document and account agreement. VSR Advisory Services will receive a portion of the fee paid to the third party manager.

Advisory Representatives are not permitted to recommend third-party advisers unless the adviser has been approved by VSR. Before approving a third-party adviser, VSR reviews the information provided by the adviser about its programs and performance, reviews the adviser’s client materials (including their Part 2A of Form ADV and the adviser’s Advisory Agreement), performs a review of their registration history, and speaks with the adviser’s personnel to discuss the adviser’s investment style and strategy.

VSR will not approve a third-party adviser until it is satisfied that the adviser has the resources, knowledge, and experience to help our clients reach their financial goals. A third-party adviser will not be recommended to a client unless the adviser is registered or exempt from registration in the client’s state of residence. VSR will receive compensation from the third party manager. The amount varies depending on the adviser and the amount of funds in the account. The compensation will be disclosed when the account is opened.

While neither VSR nor the Advisory Representative will supervise or be responsible for the actions or advice provided by any third-party investment adviser, we do review their investment performance periodically and the Advisory Representative will review their performance with the

client. VSR does not represent that third-party advisers will provide the highest performance or the lowest cost in providing advisory services.

Tailored Relationships

The Advisory Representative determines the general investment advice to be provided to his clients. The advice given is based on information provided by the client, and will take in to consideration the client's investment objectives, time horizon, risk tolerance, liquidity needs, and any other factors relevant to the client. Depending on the investment strategy chosen, the client may impose reasonable investment restrictions on certain securities, industries or sectors.

The background information regarding each Advisory Representative is contained in the Brochure Supplement, Part 2B of Form ADV. A copy of the Supplement will be provided to each client at or before the time that the client executes the advisory agreement with VSR.

Wrap Fee Programs

Certain Advisory Representatives or some of the third party managers referred to previously, may offer a wrap fee program. Wrap fee programs offered by either the advisory representative or a third party manager will generally involve the use of defined models or investment strategies designed to encompass a range of offerings (such as income vs. growth) and various levels of risk. If a client wishes to use a wrap fee program they will receive the necessary disclosures and account paperwork to open and maintain the account. VSR will receive compensation from the wrap fee programs in the form of a portion of the wrap fee paid by the client. The amount received varies depending on the manager and the amount of funds in the account. The compensation will be disclosed when the account is opened.

Wrap accounts will be managed on a discretionary basis, whereas non-wrap accounts may consist of brokerage accounts or individually managed advisory accounts that are non-discretionary in nature. Non-wrap accounts may incur brokerage charges and transaction fees that are not specifically charged to a wrap account client.

Performance Fees

In some cases VSR may enter into performance fee arrangements with qualified clients. The fees and method of fee calculation are subject to individualized negotiation with each client. VSR will structure any performance or incentive fee arrangement subject to the provisions of the Investment Advisors Act of 1940 (The Advisors Act).

Performance based fee arrangements may create an incentive for VSR to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. No client will be allowed to enter into a performance fee arrangement unless VSR determines that the performance fee arrangement is suitable and the client is knowledgeable and qualified under applicable regulations.

Side by Side Management

Many of our Advisory Representatives also manage commission based accounts for clients. The financial backgrounds, risk tolerance, and investment objectives for brokerage clients may be vastly different than those of advisory clients. As such, Advisory Representatives may execute trades for brokerage clients that are in direct conflict to trades recommended for an advisory account. Additionally, clients in brokerage accounts may receive an execution prices that may be higher or lower than your execution price.

Our Advisory Representatives do not manage any hedge funds, outside funds, or other products that may cause conflicts of interest in relation to their fiduciary obligation to you.

Methods of Analysis and Investment Strategies

VSR does not have a committee or group that determines investment advice or strategies to be given to clients. While VSR may make available general investment ideas or strategies, the Advisory Representative determines the advice and strategies they recommend to clients based on the clients' personal and financial situation.

Security analysis methods used by the Advisory Representative may include charting, fundamental analysis, technical analysis, and cyclical analysis, among others. The Advisory Representative may utilize due diligence and marketing information, if any, provided by VSR, third party money managers, or program sponsors to evaluate specific investments. Other sources of information may include financial newspapers and magazines, research materials prepared by others, annual reports, prospectuses, filings with the SEC, and corporate rating services. All Advisory Representatives are required to have access to independent third party information to assist them in the selection of investment advice and strategies.

Analyses and recommendations will be based on the written information provided by the client, the Advisory Representative's discussions with the client, and economic or tax considerations. If the client's personal or financial situation or objectives change they are advised to promptly notify their advisor. Clients are urged to discuss with their Advisory Representative the methods of analysis and strategies utilized by that Representative.

Background information regarding each Advisory Representative is contained in the Brochure Supplement, Part 2B of Form ADV. A copy of the Supplement will be provided to each client by the Advisory Representative at or before the time that the client executes the advisory agreement with VSR Advisory Services.

Risks

All investments and investment strategies involve various risks, and there is no guarantee that any investment or investment strategy will meet its objective. The Advisory Representative will

keep in mind the clients investment objectives, risk tolerance, time horizon and other pertinent information when recommending an investment or investment strategy.

Investing in securities involves the risk of loss of principal that clients should be prepared to bear.

Voting Client Securities

Neither VSR nor the Advisory Representative will vote proxies on behalf of its clients. It is the responsibility of the client to vote all proxies for securities held in the managed account. All proxy materials received by us on behalf of a client will be sent directly to the client or a representative that has been previously designated by the client to be responsible for voting proxies. Advisory Representatives may answer customer questions regarding proxy voting materials in an effort to assist the client in determining how to vote the proxy, however, the final decision of how to vote the proxy rests with the client.

Item 7 – Client Information Provided to Portfolio Managers

Clients must complete a VSR New Account Form (NAF). The NAF outlines your personal situation, including information on your investment objectives, financial circumstances, risk tolerance, and investment experience, among others. This information is required by law and helps us to understand your background and goals. We will notify you in writing at least annually to update your Account Profile and indicate if there have been any changes in your financial situation, investment objectives or instructions. You agree to inform us in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested.

Item 8 - Client Contact with Portfolio Managers

Your contact for information and consultation regarding your Program account(s) is your Advisory Representative. Your Advisory Representative will be reasonably available to you for consultation, and will act on any changes in your situation deemed to be material or appropriate as soon as practical after he becomes aware of the change.

Item 9 - Additional Information

Legal and Disciplinary Events

On June 24, 2005, the National Association of Securities Dealers (NASD) approved a settlement of the NASD's investigation into whether VSR failed to properly supervise trading activity in its customers' brokerage accounts. The investigation arose as a result of an active

trading strategy used by a former Representative, although VSR received no complaint from the client involved. All of the alleged active trading occurred in brokerage accounts and no investment advisory client accounts were involved.

Without admitting or denying the allegations, VSR consented to a censure and a \$10,000 fine.

On December 12, 2006, the NASD accepted a settlement related to its investigation into whether a manager in VSR's trade department failed to detect and prevent trades resulting from a Registered Rep's unsuitable recommendations to a public customer.

Without admitting or denying the findings, the manager consented to a \$7,500 fine and was suspended from association with any NASD member in a principal or supervisory capacity for 15 business days. The suspension was effective from January 2, 2007 through January 23, 2007.

In June 2007, NASD and NYSE merged to become the Financial Industry Regulatory Authority (FINRA). At the time of the above actions, however, NASD was the regulatory body.

On March 3, 2008, FINRA approved a settlement of FINRA's investigation into whether VSR as a broker-dealer failed to properly supervise a particular Registered Representative. The Representative recommended purchasing Class B shares, despite the fact that the client was eligible to purchase Class A shares at lower cost and annual expense. Another client did not receive the sales discount, resulting in higher front-end loads. No investment advisory accounts were involved. Without admitting or denying the allegations, VSR consented to a censure and a \$20,000 fine.

On December 1, 2011, the State of Missouri found that VSR, as a broker-dealer, failed to make, maintain, and preserve records relating to private securities transactions. Without admitting or denying the allegations, VSR agreed to a censure and was ordered to pay \$55,470 to the State.

Financial Industry Affiliations

VSR Financial Services Inc. is registered as a securities broker/dealer. All of our Advisory Representatives are also registered representatives of VSR Financial Services, Inc. As registered representatives they may sell a variety of investment products for a commission.

Advisory Representatives may be licensed as agents for various life insurance companies or may be associated with independent life insurance general agencies. VSR is an agent for many insurance companies. As with the implementation of investment advice given to clients, the Advisory Representative will generally only recommend insurance products of those companies for whom the Advisory Representative is a sales agent and with which he is familiar with the benefits, exclusions, and other terms.

Certain VSR Registered Representatives are personally registered as investment advisers or are advisory representatives of other Registered Investment Advisers. VSR Advisory Services has entered into sub-advisory agreements with these individuals so that they may provide certain advisory services to our clients. In situations where the client has engaged a sub-adviser of VSR Advisory Services, the sub-adviser will provide the client with the sub-adviser's Form ADV Part 2A (or substitute brochure), as well as VSR Advisory Service's Form ADV Part 2A (or substitute brochure). We will pay the sub-adviser a portion of the fee paid by the client.

VSR may act as a broker in effecting the securities transactions or financial planning strategies directed to it for VSR Advisory Services' clients and receive commissions and other economic benefits as a result of such transactions.

Certain Advisory Representatives may have other business activities, such as tax preparation, accounting, legal, real estate, or other businesses, that are not directly related to their registration as an Advisory Representative. Advisory Representatives may also provide various limited services related to employee benefit plans. VSR does not supervise or receive compensation from these other business activities. Advisory Representatives engaging in these other business activities do so independently of their association with VSR.

Code of Ethics

VSR has adopted a Code of Ethics that includes a Personal Trading Policy, which will apply to all of our employees and Representatives. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with VSR's Code of Ethics.

In compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988 ("ITSFEA"), VSR has established, and will maintain and enforce, written policies reasonably designed to prevent the misuse of material, nonpublic information by VSR or any person associated with the firm. In consideration of and in compliance with ITSFEA, VSR forbids any officer or employee, either personally or on behalf of others, to trade on material, nonpublic information or to communicate such information to others in violation of the law.

An investment adviser is considered a fiduciary according to the Investment Advisers Act of 1940. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. VSR, its employees, and its Representatives have a fiduciary duty to all advisory clients. To assist our employees and Representatives in meeting these obligations, VSR has adopted standards of business conduct that are outlined in our Code of Ethics. VSR requires all of its supervised

persons to conduct business with integrity and to comply with all federal and state securities laws at all times.

Trading Practices

Agency Cross & Principal Trading

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory customer and for another person on the other side of the transaction (SEC Rule 206(3)-2(b)). Agency cross transactions typically may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

A principal transaction is defined as a transaction where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory customer.

It is our policy that VSR will not engage in agency cross transactions involving advisory customers. VSR does not generally engage in principal transactions with advisory customers, except for riskless principal transactions.

VSR will not cross trades involving client advisory accounts.

Trade Aggregation and Block Trades

VSR's policy prohibits any allocation of trades in a manner such that any particular customers or group of customers receive more favorable treatment than other customer accounts.

On infrequent occasions, an error may be made in a clients account. For example, a security may be erroneously purchased for a client account instead of sold. In these situations, VSR generally seeks to rectify the error by placing the client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including but not limited to, cancelling the trade, adjusting an allocation, and/or reimbursing the account. In the event the trading error results in an erroneous profit, the profit will not be allocated to the client as VSR would retain the profit.

Participation in Client Transactions

There may be instances where an Advisory Representative will recommend to investment advisory clients or prospective clients the purchase or sale of securities in which VSR, its affiliates and/or clients may have a position or interest.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with VSR's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. VSR will retain records of the trade order (specifying each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Personal Trading

Subject to VSR's Code of Ethics and applicable securities laws, the employees and Advisory Representatives of VSR and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for VSR's clients. The Code of Ethics is designed to assure that the personal securities transactions of the employees and Advisory Representatives of VSR will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

VSR, VSR Advisory Services, and the Advisory Representatives may or may not maintain investment positions in their personal portfolios that are recommended to clients. In fact, VSR, VSR Advisory Services, and the Advisory Representatives may take positions or execute transactions for their personal accounts which are materially different than the positions or transactions recommended for their clients.

Employees and Representatives are expected to purchase or sell a security for their personal accounts only after trading of that same security has been completed in customer accounts. An exception to this policy may be made if the Vice President, Trade Desk Director or designee, has approved block executions of customer and employee or Representative accounts through VSR's average price account.

VSR's Code of Ethics requires pre-clearance of certain transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Trading activity of Advisory Representatives and employees is monitored under the Code of Ethics to reasonably prevent conflicts of interest between VSR and its clients.

VSR's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm at the address noted on the cover of this brochure.

Account Reviews

Managed Accounts

Unless noted otherwise in the client agreement the Advisory Representative shall review at least quarterly each account for which he is providing investment management or supervisory services. The review is designed to ensure that the investments and investment strategy employed remains consistent with the client's investment objectives and financial situation as provided by the client.

Financial Plans

Clients should be aware that VSR does not review each written financial plan an Advisory Representative prepares for his clients, except to the extent they may be reviewed during a routine compliance examination. Often, the plans contain recommendations and proposals which are never effected by the clients, or involve projections and analysis which are not within the scope of investment advisory activities under the Advisers Act.

Clients should understand that the services provided to them, and the content of any financial plan prepared for them, are provided by the Advisory Representative and clients are dependent solely on the expertise of the Advisory Representative for the quality of the advice or plan. VSR does not have direct access to the underlying work papers or assumptions used to develop the recommendations or projections in the plan.

Other Reviews

Conditions that may trigger a review more frequently than noted above include changes in securities laws, changes in the client's personal situation, substantial market movements, or per specific client request.

Reports

Unless noted otherwise in the client agreement, reports will be sent to the client by the custodian that holds the client's account, at such times as is provided in the client's account agreement with the custodian. VSR or the Advisory Representative may provide other statements or reports to the client.

Client Referrals

VSR and our Advisory Representatives may act as solicitors for various third-party investment advisers who compensate VSR and the Advisory Representative for the solicitation. Each solicitation arrangement is documented and a solicitor's disclosure statement is provided to the client.

VSR Advisory Services and our Advisory Representatives may offer advisory services on the premises of unaffiliated financial institutions, like banks or credit unions. VSR has entered into agreements with the financial institutions whereby VSR may share compensation, including a portion of the advisory fee, with the financial institution for the use of the financial institution's facilities and for client referrals.

Other Compensation

Our Advisory Representatives may sell securities and/or insurance to any client for commissions in their separate capacities as Registered Representatives. This situation could represent a potential conflict of interest since VSR and the Representative could receive fees and commissions if the client chooses to implement the recommendations of the Advisory Representative through him in his separate capacity as a Registered Representative. Clients are not obligated to implement any recommendation through VSR or the Representative and are free to choose any broker/dealer or insurance company they wish to implement the recommendations.

Certain product sponsors may provide VSR with economic benefits as a result of the client's investments, including sponsorship of meetings, marketing support, incentive awards, payment of travel expenses, and direction of brokerage transactions to VSR.

These arrangements may represent a conflict of interest since they may affect the independent judgment of VSR or the Advisory Representatives in the recommendation of one adviser program over another. However, the best interests of the client will be of utmost importance to VSR and all Advisory Representatives in recommending any particular third-party adviser or service.

Financial Information

Registered investment advisers are required to provide their clients with certain financial information or disclosures about their financial condition. VSR 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.

Item 10 - Requirements for State-Registered Advisers

Since VSR is registered with the United States Securities and Exchange Commission this section is not applicable.