

**PROGRAM BROCHURE**

**FORM ADV PART 2A**

**VISIONARY ASSET MANAGEMENT PROGRAM**

**March 22, 2012**

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**This brochure provides information about the Visionary Asset Management Program and the qualifications and business practices of Visionary Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 866-940-4932. 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 Visionary Asset Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for the firm is 147304.**

**Visionary Asset Management, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

### **Summary of Material Changes**

In July 2010, the SEC adopted new rules requiring registered investment advisers to provide prospective and existing clients with a narrative brochure written in “plain English” and organized in a proscribed format with mandatory section headings. This brochure dated March 22, 2012, is a new document prepared according to the SEC’s new requirements and rules. In the future, this section will discuss only the specific material changes that have occurred since the last annual update to the brochure and will, as a reference, include the date of the last annual update of the brochure. If you would like to receive additional copies of our brochure, please contact us by telephone at 866.940.4932.

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## Advisory Business

### I. Introduction

This brochure describes the Visionary Asset Management Program (the “Visionary Program”), a fee program sponsored by Visionary Asset Management, Inc. (“Visionary”).

Visionary is the portfolio manager for the Visionary Program and is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Visionary is a wholly-owned subsidiary of WE2, Inc. which is a wholly-owned subsidiary of NEXT Financial Holdings, Inc. The Visionary Program is offered by solicitors who are investment adviser representatives of NEXT Financial Group, Inc. (“NEXT”) and solicitors acting as investment adviser representatives of other unaffiliated broker-dealers and registered investment advisers. NEXT is registered as an investment adviser with the SEC and as a broker-dealer with the SEC and the Financial Industry Regulatory Authority (FINRA). As a wholly-owned subsidiary of Next Financial Holdings, Inc., NEXT is an affiliate of Visionary. As of March 6, 2012, Visionary has \$429 million in assets under management and services in discretionary assets under administration. The Visionary Program is offered as a fee-based program in two ways:

#### 1. Solicitors Affiliated with NEXT

One of the ways the Visionary Program is offered is through investment advisers who are affiliated with NEXT and who are solicitors for the Visionary Program. Investment adviser representatives who offer the Visionary Program are also referred to in this brochure as “Solicitors.” Some Solicitors who are not affiliated with Visionary may also be registered representatives of a non-affiliated broker-dealer. In addition to recommending clients to the Visionary Program, Solicitors will assist clients with opening their accounts, selecting investment models and, will, on an ongoing basis, provide information to them about their Visionary Program accounts.

#### 2. Unaffiliated Solicitors

A second way the Visionary Program is offered is through investment advisers who are unaffiliated with Visionary and who are solicitors for the Visionary Program. Investment adviser representatives, who are not affiliated with Visionary, and who offer the Visionary Program are also sometimes collectively referred to in this brochure as “Solicitors.” Some Solicitors who are not affiliated with Visionary may also be registered representatives of a non-affiliated broker-dealer. In addition to recommending clients to the Visionary Program, Solicitors will assist clients with opening their accounts, selecting investment models and, will, on an ongoing basis, provide information to them about their Visionary Program accounts.

### THE VISIONARY PROGRAM PORTFOLIOS

If you participate in the Visionary Program, you will have a choice of three types of portfolios: a Multiple Manager portfolio, a mutual fund portfolio, or an ETF portfolio described below. Subject to minimum investment requirements, your account can be invested entirely in one type of portfolio or in a combination of two or three types.

### **A. Multiple Manager Portfolios**

For Clients selecting multiple manager portfolios, the client is offered portfolios consisting of investment models from multiple asset managers that combine multiple managers across style and asset classes into one portfolio. The goal of the multiple manager portfolios is to deliver broader diversification than a single asset manager within an individual style category or asset class. Working with Placemark Investments, Inc. ("Placemark") whose services are described below, Visionary creates personalized portfolios for clients based upon asset allocation strategies and models. The portfolio that Visionary may propose for you will be based on specific profile data that you discuss with your advisory representative.

The multiple manager portfolio accounts in the Visionary Program include services offered by sub-advisers who provide investment advice to both individual and institutional clients. Each sub-adviser has been selected through a proprietary due diligence process offered through Capital Markets Consultants, Inc. ("CMC") (discussed below) and manages a model (or basket of securities) representing a particular specialty, such as international equities or high-yield bonds. Collectively, the sub-advisers represent a wide range of styles and philosophies. By using several sub-advisers in a portfolio strategy, Visionary attempts to create for its client's diversification and promote stable investment performance over time. Visionary and Placemark will periodically add new sub-advisers to the Visionary Program, and have discretion to remove any sub-adviser that we deem to underperform expectations.

Based on discussions with you and your responses to Visionary's Client Profile Questionnaire (discussed in Section II below), your solicitor will compile information concerning your investment experience, anticipated need for liquidity, anticipated need for retirement funds, and other investment needs and parameters. Visionary and Placemark will use that information to target your risk tolerance and rate of return objective for the Visionary Program and to formulate an appropriate mix of Sub-adviser models by way of proposal.

Both you and your adviser representative will receive a written description of each sub-adviser listed in the proposal. For each sub-adviser, this information will include a brief history of the firm, an overview of key investment management personnel, and a summary of the prior Visionary Program performance record of the sub-adviser's model over a certain period.

You and your adviser representative must review and understand each sub-adviser's investment style before you accept the Visionary and Placemark proposal for investing your assets. Either of you may accept or reject any recommended Sub-adviser, and at any time may diverge from our suggested allocations. You also may impose reasonable restrictions on our ability to buy and sell certain individual securities or asset classes.

### **B. Mutual Fund and ETF Portfolios**

The Visionary Program also offers portfolio accounts that are comprised of open-end mutual funds and ETFs.

- ETFs are managed baskets of securities, tracking a wide variety of sector-specific, country-specific, and broad-market indices that are traded as individual securities on a national exchange.

- Each of the mutual funds used in the Visionary Program is either a no-load mutual fund or a mutual fund that may be purchased through the Visionary Program at net asset value and without sales charges.

Placemark monitors the performance of the mutual funds and ETFs in the Visionary Program and will periodically adjust and rebalance the client's account in accordance with the client's asset allocation. Visionary and Placemark in its sole discretion, may add or delete mutual funds and ETFs from the Visionary Program.

Clients participating in the Visionary Program will enter into an investment management agreement with Visionary giving it discretion to provide investment management services that include trade execution, custodial and advisory services. In offering the Visionary Program, Visionary has entered into a separate agreement with Placemark, a third-party investment manager who will provide services to the Visionary Program. Prior to entering into an investment management agreement with Visionary, clients will receive both Visionary's and Placemark's disclosure brochure, privacy notice, and a disclosure of the referral arrangement between Visionary and Placemark, including the compensation that Visionary and Placemark will receive for investment management services. The fees that Placemark receives for its services under the Visionary Program are also described below.

Once you choose your portfolio type, you also can choose from among three specific strategies to apply to your account: tax efficient management, tactical overlay, and values-based overlay as described below. You are not required to select any of these options, but you may choose one, two, or all three strategies for your account. This selection will be made when you open your account, but you can add or remove optional strategies at any time by notifying Visionary or your Solicitor in writing. As discussed below in the section on fees, you will be charged an additional fee for each optional strategy you select.

### **THE VISIONARY PROGRAM STRATEGIES**

Placemark is an investment adviser registered with the SEC, and serves as a sub-adviser to the Visionary Program. The sub-advisory agreement between Visionary and Placemark permits Placemark to actively manage and supervise client accounts utilizing an asset allocation strategy that provides clients with a personal investment management program tailored to the client's individual needs. Clients will have access to multiple managers ("sub-advisers"), who will provide investment advice regarding individual stocks, exchange-traded funds ("ETFs"), bonds, and mutual funds.

Placemark provides Visionary and Solicitors with services that include:

- client profiling and proposal capability tools;
- access to tools for viewing and managing client data and producing desktop performance reports;
- research, timely information, and recommendations regarding the qualification, investment philosophies, policies, and performance of the Sub-advisers;
- model portfolios for accounts receiving management services;
- field sales and education resources;
- preparation and distribution of periodic performance measurement reports with respect to client assets invested through the Visionary Program;

- information systems;
- calculation services to assist with investment rebalancing;
- operational and administrative services in connection with account set-up and maintenance; and
- calculation services for fees.

With the services offered by Placemark, Visionary seeks to provide discretionary investment advice to meet its clients' investment objectives by tailoring investments to individual meet client needs. As described below, this is done in three ways: through overlay portfolio management services, tax overlay management services, and index portfolio management. What this means is that through overlay portfolio management services, Placemark seeks to manage all or a portion of a Client's account (a "sleeve") according to a model portfolio so that the risk and return characteristics of the account or sleeve tracks, as is reasonably feasible, the risk and return characteristics of such model portfolio. The model portfolio is based on the recommendations of one or more investment managers or strategists that act as investment advisers and/or sub-advisers to Placemark ("Model Portfolio Advisers").

Once you choose your portfolio type, you also can choose from among three specific strategies to apply to your account: tax efficient management, tactical overlay, and values-based overlay as described below. You are not required to select any of these options, but you may choose one, two, or all three strategies for your account. This selection will be made when you open your account, but you can add or remove optional strategies at any time by notifying Visionary or your Solicitor in writing. As discussed below in the section on fees, you will be charged an additional fee for each optional strategy you select.

#### **A. Overlay Portfolio Management Services**

Placemark's overlay portfolio management services include discretionary investment management through a single custodial account, usually called a "unified managed account" or "UMA," which may contain individual securities, mutual fund shares, exchange-traded funds ("ETFs") and other investment products. In providing overlay portfolio management services, Placemark uses its propriety investment technology and processes to coordinate and implement the recommendations of the Model Portfolio Advisers.

#### **B. Tax-Overlay Management Services**

You may elect to have your account managed in a manner that attempts to minimize your potential tax burden by realizing losses and deferring realization of short-term gains. If you choose this option, tax overlay management services may be provide to an account or sleeve. Often, these accounts will also receive overlay portfolio management services as described above. The end goal of tax overlay management services is to improve the after-tax return for the client while staying as consistent as possible with the risk/return characteristics provided by the model portfolios. Tax overlay management is not designed to eliminate taxes, merely to ensure that Placemark takes tax consequences into consideration in determining whether and how to rebalance an account. If Placemark determines that the tax consequences would outweigh the potential benefits of rebalancing, the account may not be rebalanced in accordance with the rebalancing schedule. However, Visionary and Placemark do not provide general tax planning advice or services.

### **C. The UMA Marketplace™ Program**

Placemark also offers the UMA Marketplace™ Program, a managed account platform, that allows individual registered investment advisers like Visionary, and large institutions, to develop customized offerings utilizing the services of hundreds of model portfolio advisers, or any of the thousands of mutual funds and ETFs, available on the platform. Placemark acts as overlay portfolio manager to Visionary's Clients for whom Visionary selects from model portfolio advisers or funds to construct a UMA program. To provide its services, Placemark enters, separately, into a written agreement with the model portfolio advisers to provide such services. Each Visionary Client participating in the UMA Marketplace™ Program will complete an investment profile questionnaire or similar document that will allow Visionary to determine and document whether the program is suitable for its clients, meets client investment objectives, restrictions, investment options and other instructions of the client's account.

### **D. Socially Responsible Classifications**

You may also elect to have your account managed in a manner that may be considered "socially responsible." In this strategy, you may impose restrictions to prevent your account from being invested in companies involved, for example, in gambling, alcohol, tobacco, or pornography. Any such limitations may have a negative effect on the performance of your account. Placemark relies on third-party providers for socially responsible classifications of individual securities and makes no guarantee as to the accuracy of such third parties' classification. Changes may occur that affect the industry classification of a firm and Placemark will make reasonable efforts to implement those changes in a timely manner. Placemark's implementation of restricted securities must usually be specified in the applicable client agreement or in other documentation clients receive. In general, Placemark may implement restrictions by taking one or more of the following actions: increasing the relative proportions of other securities to replace the restricted securities; increasing cash in the account; and, when agreed to by Visionary, selecting alternate securities.

## **II. The Client Profile Questionnaire**

The asset allocation proposal for the Visionary Program is based upon your responses to the Client Profile Questionnaire, and is provided to assist you in making informed asset allocation decisions. You should consider all of your assets, income, and investments when you decide whether to adopt, modify, or reject a proposed asset allocation. You may impose a ceiling on the percentage of assets you are willing to allocate to certain asset classes. However, if you impose such a restriction, you may receive an asset allocation proposal that differs from the allocation your adviser representative would otherwise consider appropriate. Clients who do not impose any restrictions are likely to receive asset allocation proposals that are similar to proposals presented to other clients with similar investment profiles.

## **III. The Custodian**

All or a portion of your assets may reside in one or more accounts for your benefit custodied with the custodian listed on Exhibit A of your Investment Advisory Agreement or such other firm selected by Visionary and Placemark in their sole discretion (the "Custodian"). The Custodian will debit advisory fees from your account, on our behalf, and will credit your account(s) with all interest, dividends, and other distributions that it receives on your assets.

#### **IV. Wrap Fee Programs**

Visionary also offers its services as a “wrap fee program” and provides portfolio management services. Using sub-advisers, Visionary manages the wrap fee programs in a similar manner as described in this brochure and receives fees for its portfolio management services as described in Appendix 1 of its Form ADV Part 2A.

### **Fees and Compensation**

#### **A. The Advisory Fee**

The advisory fee is paid to your Investment Advisor Representative for their services as Solicitors and for qualifying clients to invest in the Visionary Program. The advisory fee that you pay is negotiable and will vary, at Visionary’s discretion, among Solicitors depending on many factors, including the size and complexity of the client’s account and prior relationships and services.

Visionary has the discretion to combine the account values of family members living in the same household to determine the applicable investment management fee that you will be charged. For example, Visionary may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated below. Clients may receive comparable services from other sources for fees that are lower or higher than those charged by Visionary.

#### **B. Timing and Calculation of Fees**

Your initial fee will be based on the market value of your assets on the date of your initial investment in the Visionary Program. This fee will be deducted by the Custodian within 30 days of account inception.

The initial fee will cover the period from the date your account was funded until the last day of the initial calendar quarter, and will be calculated proportionately with respect to the number of days in the initial billing period. Thereafter, your fees will be based on the value of your assets on the last business day of each quarter. In computing the market value of assets, mutual fund shares will be calculated at their respective net asset value as of the valuation date in accordance with each applicable prospectus.

Additional contributions (whether in kind or in cash) to your assets will be charged a pro rata fee based upon the number of days remaining in the quarter. If you withdraw funds from your account, the fee will be adjusted—again on a pro rata basis. Fees will not be adjusted for account appreciation or depreciation during a quarter.

If you terminate your account, Visionary will provide you with a pro rata refund of fees paid for that calendar quarter, based on the number of days remaining in the quarter after the termination date.

### C. The Fee Schedule

The standard fee schedule for the Multi-Manager, Mutual Fund, and Exchange-traded Fund Portfolios is as follows:

#### SCHEDULE OF ACCOUNT FEES FOR MULTIPLE MANAGER PORTFOLIOS

| Portfolio Name  | Investment Style/Investment Class    | UMAM Style                           | Minimum Value | Fee (%) |
|---|--------------------------------------|--------------------------------------|---------------|---------|
| Riverbridge Eco Leaders   | All Cap Growth/Equity Domestic       | Equity Domestic All Cap Growth       | 50000         | 0.35%   |
| Riverbridge All Cap Growth  | All Cap Growth/Equity Domestic       | Equity Domestic All Cap Growth       | 50000         | 0.35%   |
| Riverbridge Large Cap Growth  | Large Cap Growth/Equity Domestic     | Equity Domestic Large Cap Growth     | 35000         | 0.30%   |
| Herndon Capital Large Cap Value   | Large Cap Value/Equity Domestic      | Equity Domestic Large Cap Value      | 50000         | 0.40%   |
| Congress Mid Cap Growth   | Mid Cap Growth/Equity Domestic       | Equity Domestic Mid Cap Growth       | 40000         | 0.30%   |
| Hahn Capital Mid Cap Value  | Mid Cap Value/Equity Domestic        | Equity Domestic Mid Cap Value        | 70000         | 0.35%   |
| Riverbridge SMID Cap Growth   | Small/Mid Cap Growth/Equity Domestic | Equity Domestic Small/Mid Cap Growth | 50000         | 0.35%   |
| Stewardship Partners Investment Counsel, Inc. US Small-Mid Cap Biblically Responsible Investing Portfolio | Small/Mid Cap Growth/Equity Domestic | Equity Domestic Small/Mid Cap Growth | 35000         | 0.50%   |

|   |   |   |       |       |
|---|---|---|-------|-------|
| Stewardship Partners Investment Counsel, Inc. Global Biblically Responsible Investing Leaders Portfolio | Growth/Equity Global Developed Markets      | Equity Global Developed Markets Growth      | 50000 | 0.50% |
| Frontier AM Long-Term Growth  | Allocation Strategy Aggressive Allocation   | Allocation Strategy Aggressive Allocation   | 40000 | 0.30% |
| Frontier AM Focused Opportunities   | Allocation Strategy Aggressive Allocation   | Allocation Strategy Aggressive Allocation   | 40000 | 0.30% |
| W.E. Donoghue Aggressive Tactical Growth Portfolio  | Allocation Strategy Aggressive Allocation   | Allocation Strategy Aggressive Allocation   | 25000 | 0.50% |
| Scientific Advisors Aggressive Portfolio  | Allocation Strategy Aggressive Allocation   |   | 50000 | 0.35% |
| Independent Solutions Wealth Management Aggressive  | Allocation Strategy Aggressive Allocation   | Allocation Strategy Aggressive Allocation   | 50000 | 0.40% |
| Independent Solutions Wealth Management Full Equity   | Allocation Strategy Aggressive Allocation   | Allocation Strategy Aggressive Allocation   | 50000 | 0.40% |
| Frontier AM Balanced  | Allocation Strategy Balanced                | Allocation Strategy Balanced                | 40000 | 0.30% |
| Independent Solutions Wealth Management Balanced  | Allocation Strategy Balanced                | Allocation Strategy Balanced                | 50000 | 0.40% |
| Frontier AM Conservative  | Allocation Strategy Conservative Allocation | Allocation Strategy Conservative Allocation | 40000 | 0.30% |

|   |   |   |       |       |
|---|---|---|-------|-------|
| Frontier AM Capital Preservation                          | Allocation Strategy Conservative Allocation | Allocation Strategy Conservative Allocation | 40000 | 0.30% |
| W.E. Donoghue Conservative Tactical Growth Portfolio      | Allocation Strategy Conservative Allocation | Allocation Strategy Conservative Allocation | 25000 | 0.35% |
| Emerald Asset Advisors EAS Hybrid Strategy                | Allocation Strategy Conservative Allocation | Allocation Strategy Conservative Allocation | 50000 | 0.30% |
| Independent Solutions Wealth Management Very Conservative | Allocation Strategy Conservative Allocation | Allocation Strategy Conservative Allocation | 50000 | 0.40% |
| Independent Solutions Wealth Management Conservative      | Allocation Strategy Conservative Allocation | Allocation Strategy Conservative Allocation | 50000 | 0.40% |
| Frontier AM Growth & Income                               | Allocation Strategy Moderate Allocation     | Allocation Strategy Moderate Allocation     | 40000 | 0.30% |
| Frontier AM Absolute Return Plus                          | Allocation Strategy Moderate Allocation     | Allocation Strategy Moderate Allocation     | 40000 | 0.30% |
| W.E. Donoghue Moderate Tactical Growth Portfolio          | Allocation Strategy Moderate Allocation     | Allocation Strategy Moderate Allocation     | 25000 | 0.35% |
| Emerald Asset Advisors EAS Concentrated Equity Strategy   | Allocation Strategy Moderate Allocation     | Allocation Strategy Moderate Allocation     | 50000 | 0.30% |
| Scientific Advisors Growth Portfolio                      | Allocation Strategy Moderate Allocation     |   | 50000 | 0.35% |
| W.E. Donoghue Power Sector Portfolio                      | Allocation Strategy Specialty               | Allocation Strategy Specialty               | 25000 | 0.50% |

|  |  |  |       |        |
|--|--|--|-------|--------|
| Good Harbor U.S. Tactical Core                                   | Allocation Strategy Tactical Allocation          | Allocation Strategy Tactical Allocation          | 25000 | 0.55%  |
| Frontier AM Global Opportunities                                 | Allocation Strategy World Allocation             | Allocation Strategy World Allocation             | 40000 | 0.30%  |
| Emerald Asset Advisors EAS Global Cycle Strategy                 | Allocation Strategy World Allocation             | Allocation Strategy World Allocation             | 50000 | 0.30%  |
| Independent Solutions Wealth Management Beta Source Aggressive   | Alternative Market Neutral / Long - Short Equity | Alternative Market Neutral / Long - Short Equity | 50000 | 0.40%  |
| Independent Solutions Wealth Management Beta Source Basic        | Alternative Market Neutral / Long - Short Equity | Alternative Market Neutral / Long - Short Equity | 50000 | 0.40%  |
| Independent Solutions Wealth Management Beta Source Moderate     | Alternative Market Neutral / Long - Short Equity | Alternative Market Neutral / Long - Short Equity | 50000 | 0.40%  |
| Independent Solutions Wealth Management Beta Source Conservative | Alternative Market Neutral / Long - Short Equity | Alternative Market Neutral / Long - Short Equity | 50000 | 0.40%  |
| Frontier AM Absolute Return                                      | Alternative Multi-Strategy                       | Alternative Multi-Strategy                       | 40000 | 0.30%  |
| Astor Long/Short Balanced Program                                | All Cap Core/Equity Domestic                     | Equity Domestic All Cap Core                     | 25000 | 0.25%  |
| W.E. Donoghue Power Income Portfolio                             | Fixed Income High Yield Bond                     | Fixed Income High Yield Bond                     | 25000 | 0.175% |

As the chart above reflects, the fees charged depend on the manager(s) selected. Sub-advisers providing investment management portfolio services require certain minimum investment depending on the investment allocation strategy that the Client selects. Total fee including Solicitor's fees charged to clients cannot exceed 2.5%. Fees are calculated on a per account basis. Visionary does not receive 12b-1 fees from mutual funds that Clients invest.

#### **Overlay Portfolio Management Services ("OPM") Fees**

For clients with accounts that have a value less than \$500,000 at inception and at the end of each calendar quarter, the annual OPM Fee rate shall be as follows:

| <b><u>ACCOUNT VALUE ( LESS THAN \$500, 000)</u></b>  | <b><u>ANNUAL FEE</u></b> |
|--|--------------------------|
| Account with mutual funds or exchange traded funds   | 0.10%                    |
| Account with any allocation to Model Portfolio Advisers and no tax overlay management services | 0.20%                    |
| Additional Fee: Accounts with tax overlay management services                                  | 0.10%                    |

For clients with accounts that have a value equal to or greater than \$500,000 at inception and at the end of each calendar quarter, the annual OPM Fee rate shall be as follows:

| <b><u>ACCOUNT VALUE (EQUAL TO OR GREATER THAN \$500,000)</u></b>                               | <b><u>ANNUAL FEE</u></b> |
|--|--------------------------|
| Sleeves with mutual funds or exchange traded funds   | 0.10%                    |
| Sleeves with any allocation to Model Portfolio Advisers and no tax overlay management services | 0.20%                    |
| Sleeves with any allocation to Discretionary Fixed Income Managers                             | 0.15%                    |
| Additional Fee: Accounts with tax overlay management services                                  | 0.10%                    |

### **Model Portfolio Adviser Fees**

Placemark's fees, as described above, are in addition to fees paid to Model Portfolio Advisers, which generally range from 25 to 60 basis points. The fees charged by Model Portfolio Advisers are shown on the New Account Form or other forms that are used when clients change Model Portfolio Advisers or other make other changes to account features. The fees payable to Model Portfolio Advisers are calculated separately. Placemark calculates and charges clients for fees payable by Placemark to Model Portfolio Advisers and debits clients' custodial accounts for the combined Placemark and Model Portfolio Advisers fees. Thus, client account statements may reflect debits by Placemark to withdraw its own fees as well as separate debits to withdraw the fees payable to the Model Portfolio Advisers or may reflect a single debit for Placemark's plus the Model Portfolio Advisers' fee.

In certain instances, Placemark has agreed to pay reduced fees to Model Portfolio Advisers when assets reach certain "breakpoint" levels. In these circumstances, Placemark may not pass on such cost savings to clients. Visionary will debit its fees directly. In some cases, Placemark debits the fees payable by clients to Visionary or to third-party research or review vendors used by Visionary. Any such authority and amounts

of such fees will be provided in the applicable account agreement or other account paperwork.

#### **Visionary Asset Management, Inc. Platform Fee**

The Platform Fee shall be 25 basis points (0.25%) annually applied to the client's entire account. Visionary reserves the right to negotiate a reduced fee.

#### **Custodian Fee**

The fees charged for custodian services for client accounts are set forth below. As the chart reflects, clients will pay a maximum custodian fee of 18 basis points (0.18%). Visionary does not receive any part of the custodian fees for holding client assets.

|                         |      |
|-------------------------|------|
| First \$250,000         | .18% |
| \$250,000 - \$500,000   | .12% |
| \$500,000 - \$2,000,000 | .08% |
| \$2,000,000 and above   | .06% |

#### **Total Maximum Fee**

The total fee that a client will pay investment management services, including Solicitor's fees and other fees listed above, will not exceed 2.50%.

#### **Additional Fees and Expenses**

Your fees may differ from fees paid by other clients. Fees may be negotiated, and may vary due to factors such as the investment strategies utilized by the selected Sub-adviser(s), the amount of assets invested, and the services to be provided. Fees also may differ if the fee schedule changes and Visionary does not apply the new rates to existing clients. The fee you pay under the Visionary Program may be more or less than if you purchased services separately and not under the Visionary Program.

The fees stated above includes the costs of brokerage commissions/ticket charges for transactions executed through a qualified custodian (or a broker-dealer designated by the qualified custodian), and charges relating to the settlement, clearance, or custody of securities in the Account. The Fee does not include mark-ups and mark-downs, dealer spreads or other costs associated with the purchase or sale of securities, interest, taxes, or other costs, such as national securities exchange fees, charges for transactions not executed through the qualified custodian, short term redemption fees, costs associated with exchanging currencies, wire transfer fees, or other fees required by law or imposed by third parties. You will be responsible for these additional fees and expenses.

Your assets may be invested in mutual funds (including money market funds), and other collective investment funds that have advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses. These fees and expenses, which will be explained in the applicable fund's prospectus, are paid by the funds, but ultimately are borne by you as a fund shareholder. These fees and expenses are in addition to the fee you pay Visionary, and generally will not be deducted from the Visionary fee. If your assets are invested in a money market fund, you may have been able to save on expenses if you had invested in that fund directly.

In some cases, you can purchase securities directly from the issuer, its principal underwriter, or a distributor without establishing an account in the Visionary Program or paying the Program Fee. Certain mutual funds are offered to the public without a sales charge. The sales charge for other mutual funds may differ from the fee for the Visionary Program.

#### **Performance-Based Fees and Side-By-Side Management**

Visionary does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) to its clients.

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

The Visionary Program is open to individuals, trusts, estates, 401(k) plans, pension and profit-sharing plans, charitable organizations, corporations, partnerships and other entities.

The standard minimum investment for a multiple manager portfolio account generally will be \$150,000. The standard minimum investment generally will be \$50,000 for mutual fund accounts, and \$25,000 for ETF accounts. Visionary and Placemark reserve the right, in their sole judgment, to accept investments below these thresholds. However, a client whose account is below the standard minimum may receive the benefits of all available investments due to the practical limitation that smaller allocations of money may create.

#### **Methods of Analysis, Investment Strategies and Risk of Loss**

Adviser representatives will use Visionary's Client Profile Questionnaire to determine each client's financial situation, investment objectives, time horizons, risk tolerance, and other information necessary to define that client's investment needs. Client profiles are a series of questions, which are designed to help determine the return objectives and investment goals/needs of clients. The information on this questionnaire is provided to Visionary. The Client Profile Questionnaire will document Visionary's assessment that the program is suitable for you, meets your investment objectives, restrictions, investment options and other instructions of your account.

##### **Manager Evaluation**

Regarding asset management and investment vehicle evaluation, Visionary primarily utilizes information gathered by CMC and Placemark through their initial and ongoing research and due diligence process.

CMC, a third party due diligence provider, employs a multiphase approach to researching and assisting in selecting managers suitable for participation in the Program ("Approved Sub-Managers"). Approved Sub-Managers are evaluated using data and information from several sources, including the manager and independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Also reviewed are the manager's Form ADV Part 2, as well as portfolio holdings reports that help

demonstrate the manager's securities selection process. To ensure accuracy, CMC's attempts to verify all information by comparing it to publicly available sources. The investment professionals at the investment management firms are a primary source of information to CMC and Visionary, providing quantitative and qualitative information.

Before offering services provided by Approved Sub-managers to clients, Visionary reviews CMC's evaluations of these managers, the manager's Form ADV, and may request additional information from CMC or the managers to evaluate the competence and experience of managers before offering their services to clients. At least annually, Visionary, through CMC and Placemark, will review any updates to this information to determine if the manager is still suitable for clients.

### **Visionary Program Investment Risks**

#### **Risk of Loss**

*General Risk.* Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that we can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. The value of your assets will be subject to a variety of factors, such as the liquidity and volatility of the securities markets. Portfolio transactions may give rise to tax liability, for which you are responsible.

*Asset Allocation Risk.* Asset allocation risk is the risk that a client's assets may be allocated to an asset class or mandate that underperforms other asset classes. For example, fixed-income securities may underperform equities. Model Portfolio Advisers that have been selected by a client or its Financial Adviser. Accordingly, asset allocation risk may greatly depend on the allocation among Model Portfolio Advisers and other investment options chosen by such persons. In some cases, Visionary or Placemark may, on behalf of a client, deviate from the target allocations to Model Portfolio Advisers and investment options due to other mandates on the account such as tax management or restrictions. Such deviations may cause the portfolio to deviate from the risk/return profile of its model portfolio. In such circumstances, Visionary or Placemark may introduce greater asset allocation risk to a sleeve or an account.

*Investment and Market Risk.* Recommendations are subject to investment risk, including the possible loss of the entire principal amount invested. A recommendation to invest in securities and other instruments may also involve market risk, which is the risk that the value of these positions, like other market investments, may move up or down, sometimes rapidly and unpredictably. Recommended investments at any point in time may be worth less than the original investment, even after taking into account any reinvestment of distributions.

*Information Risk.* Advice is based in large part on information received from clients, Model Portfolio Advisers, Financial Advisers, Sponsors and other third parties. In addition, recommendations are based on model portfolios by Model Portfolio Advisers. Therefore, advice given relies significantly on the accuracy and completeness of the information provided by such persons and the skill and analytical ability of the Model Portfolio Advisers.

## **Disciplinary Information**

Neither our firm nor our management persons have any legal or disciplinary events which are required to be disclosed in this brochure.

## **Other Financial Industry Activities and Affiliations**

### **A. *Affiliated Portfolio Managers***

Certain sub-advisers may be affiliated with NEXT, including AlphaSource Investment Counsel, Inc., a registered investment adviser. Visionary may have a conflict of interest in including these sub-advisers in the Visionary Program. If you select one of the strategies offered by such sub-advisers, Visionary and its affiliates may receive greater aggregate compensation.

### **B. *Other Business Relationships with Portfolio Managers and Portfolio Funds***

Sub-advisers may have other business relationships with Visionary or its affiliates, and may compensate Visionary or its affiliates. Similarly, Visionary or its affiliates may receive compensation from other parties in connection with services Visionary provides in these relationships, such as trading, lending, prime brokerage, and custody services. Sub-advisers may direct trades for other accounts outside the Visionary Program to NEXT as broker-dealer, subject to their duty of best execution. As a result of these relationships, Visionary may have a conflict of interest in determining which sub-advisers to include in the Visionary Program.

A third-party review vendor retained by Visionary also may have a conflict of interest by helping Visionary review sub-advisers or making recommendations to Visionary about which sub-advisers to include in the Visionary Program because the third party review vendor or its affiliates may provide other services to Sub-advisers or their affiliates.

Visionary, NEXT, or their affiliates may, from time to time, enter into joint marketing activities with sub-advisers or service providers to the Visionary Program. These sub-advisers or service providers may pay for, or may reimburse Visionary or its affiliates for, all or a portion of the cost of the activities.

### **C. *Other Affiliations***

NEXT, an affiliate of Visionary is registered as an investment adviser and as a broker-dealer. Next Financial Insurance Company ("NFISCO"), an affiliate of NEXT and AlphaSource, is an insurance agency. NEXT and NFISCO provide a wide range of financial services to individuals, banks and thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities, and states, municipalities, and other governmental entities. Clients in the Visionary Program may also be clients of NEXT and NFISCO. Fees charged by NEXT and NFISCO are distinct from the fees charged by Visionary.

AlphaSource Investment Counsel, Inc. ("AlphaSource") is the sponsor and portfolio manager for the AlphaSource Managed Wrap Fee Program ("AlphaSource Program"). Clients of the Visionary Program

may be solicited to participate in the AlphaSource Program and are hereby advised that the services and fees associated with the Visionary Program are separate and apart from the services and fees associated with the AlphaSource Program. Please refer to the AlphaSource Program Wrap Brochure for further details on that program.

Some members of the Board of Directors for NEXT Financial Holdings, Inc. and WE2, Inc. serve as Board members for Visionary, as well as for NEXT and WE2 themselves. There may be a perceived conflict of interest. However, clients should be aware that the Board of Directors does not make decisions for Visionary without following the process set forth in the company's by-laws. The Board Members are Registered Persons, investment adviser representatives and shareholders of NEXT Financial Holdings, Inc. and WE2 Inc.

The Board Members of NEXT Financial Holdings, Inc. and WE2, include:

- Gordon D'Angelo;
- Norman Grant, Jr.;
- David Holtz;
- Cary Cowan;
- Arthur Farr; and
- Jeffrey Saline.

The above-listed Board of Directors receives compensation for the services they perform as members of the Board of Directors of these two entities. This compensation is paid by NEXT Financial Holdings, Inc., and is not dependent upon the amount of assets under their management, or upon their production as Registered Persons of the broker-dealer. Any compensation they receive in their capacity as Registered Persons of the broker-dealer, or as investment adviser representatives of the registered investment adviser is received only as payment for services rendered to clients.

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

#### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at (866) 940-4932.

#### **I. Personal Trading Practices**

Our firm, our associated persons, or adviser representatives, may buy or sell the same securities for you at the same time we buy or sell such securities for our own accounts. A conflict of interest exists in such

cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, we shall not have priority over your account in the purchase or sale of securities.

## **II. Principal Transactions**

Certain clients in the Visionary Program may have brokerage accounts with NEXT for which NEXT does not act in an advisory capacity. In providing brokerage services to these clients separate and apart from their participation in the Visionary Program, NEXT may enter into transactions as principal and may solicit these clients, as brokerage clients, to invest in products or services in which NEXT or one of its affiliates has a financial interest. These activities are unrelated to Visionary's advisory activities.

### **Brokerage Practices**

Visionary does not maintain custody of your assets that participate in the Visionary Program. Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Visionary is not, operated by, independently owned by or affiliated with any custodian. The custodian will hold your assets in a brokerage account, and buy and sell securities only when you instruct them to do so. The choice of which custodian to utilize is determined by the client in consultation with their Solicitor or adviser representative; and the client enters into a separate contractual relationship with the selected custodian.

Visionary does not receive research or other products or services from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"). Visionary does not participate in any transaction fees or commissions paid to the broker-dealer or custodian, and does not receive any fees or commissions for the opening or maintenance of client accounts at recommended broker-dealers. Neither Visionary nor any of its affiliated companies or related person client referrals for from a broker-dealer or third party, for its services.

### **Review of Accounts**

Adviser representatives are primarily responsible for ongoing review of the accounts that they service. In addition, Visionary and Placemark will perform periodic supervisory reviews to ensure that the account is allocated properly.

Visionary regularly responds to client inquiries, consults with adviser representatives regarding any updates in client financial information and investment objectives, reviews the activity in and investment results of client accounts with adviser representatives who will relay the information to their clients, and helps clients decide whether to make changes to their respective portfolio strategies. Your adviser representative will contact you on at least an annual basis to determine whether there have been any changes to your investment objectives, risk tolerance, and other relevant information, but you are encouraged to contact your adviser representative sooner if there are any changes to discuss.

### **Client Referrals and Other Compensation**

A portion of your fee under the Visionary Program generally is paid to your advisory representative. The amount of this compensation may differ from what your advisory representative would receive if you paid separately for investment advice, brokerage, and other services.

Adviser representatives of NEXT may have a personal ownership stake or have an option to obtain such a stake in Visionary's parent company. In addition, Visionary and/or WE2, an affiliated company, may reimburse and/or pay for expenses including travel, lodging, entertainment and other related costs associated with adviser representatives' attendance at conferences which are sponsored by WE2. Invitations to such conferences are based upon the amount of client assets that are referred to the Program by adviser representatives. Visionary and/or WE2 may also reimburse Solicitors for marketing expenses they incur in marketing the Visionary Program or increase their compensation based on the amount of assets their clients have under Visionary's management. While the client does not pay for such expense reimbursements or increased compensation, these payments do represent a form of compensation to the adviser representative and may be more than what the adviser representative would receive if a client participated in other programs. Therefore, the receipt of such benefits may give adviser representatives a financial incentive to recommend the Visionary Program over other programs or services. Clients should consult their adviser representative for additional details if they have questions about benefits or compensation the adviser representative receives.

Given the above arrangements and given that NEXT and Visionary are affiliates and under common ownership, some adviser representatives may have a financial incentive to recommend the Visionary Program over other programs and services.

### **Custody**

Visionary will provide you with a quarterly account statement with separate confirmations of each transaction, a list of the assets in your account(s), and related information. You may also elect to receive from the custodian, electronically, a periodic statement of all transactions that are executed for your account(s), including transaction confirmations that are sent to Visionary. At any time you can elect to receive individual confirmations for transactions effected during a period in which you originally chose not to receive separate transaction confirmations. You may pay a different fee based on this election and may rescind this election at any time upon written notice to Visionary. In addition, if you elect to receive paper confirmations and statements for accounts custodied at FOLIO FN, an additional annual fee of \$150 will be charged.

In addition to your quarterly account statement, you may also elect to receive a quarterly report that compares the performance of assets in your account against certain indices, and periodic statements indicating, among other things, the valuation of the Visionary Program assets through your adviser representative offered by Black Diamond Performance Reporting, LLC. The pricing information used in preparing these reports assumes that all fixed income purchases and sales will be aggregated whenever possible among Visionary Program clients. If orders are not aggregated, those prices may not be attainable.

As a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Custodians will default to the FIFO (First In First Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to your adviser representative immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

#### **Investment Discretion**

Clients participating in the Visionary Program grant full discretionary investment authority to Visionary to be exercised in a manner consistent with the stated investment objectives of the particular client's account. When selecting securities and determining amounts, Visionary observes the investment policies, limitations and restrictions of the Clients. When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions that you and we have discussed and agreed upon.

#### **Voting Client Securities**

Visionary will not vote proxies on behalf of your advisory accounts. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

#### **Financial Information**

Visionary does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

#### **Client Contact with Portfolio Managers**

You may contact or consult directly with Visionary or a sub-adviser, but such meetings typically are arranged by your adviser representative.