



## **WRAP FEE PROGRAM BROCHURE**

### **FORM ADV PART 2A APPENDIX 1**

#### **VISIONARY ASSET MANAGEMENT WRAP FEE PROGRAM I**

**June 30, 2013**

**Visionary Asset Management, Inc.  
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Houston, TX 77042**

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**Web site: <http://visionaryassetmanagement.com>**

This wrap fee program 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 ("SEC") 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 SEC or any state securities authority does not imply a certain level of skill or training.

***NOTE FOR ERISA PLANS: Visionary Asset Management, Inc. acknowledges its status as a registered "investment adviser" with the SEC. With respect to services provided to your managed account, Visionary also acknowledges its status as a "fiduciary" within the meaning of ERISA section 3(21). Refer to Page 14 of this disclosure document for ERISA Plan Disclosures.***

## Summary of Material Changes

The purpose of this page is to inform clients of any material changes since the previous version of this wrap fee program brochure. This brochure, dated June 30, 2013, is the most recent update of our wrap fee disclosure brochure prepared according to the SEC's new regulations and rules. As such, this document provides clients with information about Visionary Asset Management, Inc.'s advisory services and fees.

Since our last annual updating amendment on March 26, 2013, the following changes have been made to the wrap fee program and are reflected in more detail within this disclosure brochure:

### **1. Merger**

Effective June 30, 2013, AlphaSource Investment Counsel, Inc ("ASIC") intends to merge into its sister company, Visionary Asset Management, Inc. ("Visionary"). Visionary will sponsor both wrap fee programs, the Visionary Asset Management Wrap Fee Program I, which is currently the AlphaSource wrap fee program and the Visionary Asset Management Wrap Fee Program II, which is currently the Visionary/Argentus wrap fee program. The only surviving entity for both wrap fee programs will be Visionary.

### **2. AUM**

The total AUM as of May 31, 2013 is \$663,716,118, which includes the AUM for both ASIC and Visionary.

### **3. Web Site Address**

The Firm has modified its web site address. The new web site address is:

<http://visionaryassetmanagement.com>.

### **4. Email Address of Contact Person**

The new email address is: [rd@vamsupport.com](mailto:rd@vamsupport.com).

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## Services, Fees and Compensation

### **I. Introduction**

This brochure describes the Visionary Managed Wrap Fee Program I (the "Visionary I Program"), a wrap fee program sponsored by Visionary Asset Management, Inc. ("Visionary").

Visionary is also the portfolio manager for the Visionary I 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. ("WE2"). WE2 is a wholly-owned subsidiary of Next Financial Holdings. The Visionary I Program is offered by solicitors who are investment adviser representatives of NEXT Financial Group, Inc. ("NEXT"). 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, NEXT is an affiliate of both WE2 and Visionary.

As of May 31, 2013, Visionary has \$663.7 million in assets under management and services in discretionary assets under administration. The Visionary I Program is offered as a fee based program in two ways:

#### **1. Solicitors Affiliated with NEXT**

One of the ways the Visionary I Program is offered is through investment advisers who are affiliated with NEXT and who are solicitors for the Visionary I Program. Investment adviser representatives who offer the Visionary I Program are also referred to in this brochure as "Solicitors." In addition to recommending clients to the Visionary I 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 I Program accounts.

#### **2. Unaffiliated Solicitors**

A second way the Visionary I Program is offered is through investment advisers who are unaffiliated with Visionary and who are solicitors for the Visionary I Program. Investment adviser representatives, who are not affiliated with Visionary, and who offer the Visionary I 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 I 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 I Program accounts.

Some Solicitors may also be registered representatives of a dually registered broker-dealer/investment adviser. This could represent a conflict of interest and clients should refer to the solicitor's firm's disclosure brochure regarding such conflicts. Solicitors will recommend the Visionary I Program to clients, help their clients open accounts and select investment models, and then provide ongoing information about Visionary I Program accounts.

If you wish to participate in the Visionary I Program, you will enter into an investment advisory agreement with Visionary which will detail the services you will receive and the fees you will pay.

## **II. Portfolio Strategy Models**

The Visionary I Program uses a variety of investment strategies depending on a client's circumstances, financial objectives and needs. The Visionary I Program implements these strategies using two broad categories of portfolios—mutual fund wrap portfolios and variable annuity portfolios—that each comprise several different strategies. Your account assets will be invested according to one or more model portfolios (“Models”) that you select and which are further described in the risk tolerance questionnaire you complete. A list of Models is available through your Solicitor. Investment management firms that Visionary contracts to create the Models, may develop and offer additional Models in the future, discontinue previously offered Models, may add or remove Models, or modify the target allocations of the Models at any time.

## **III. Portfolio Strategists and Management**

Visionary has contracted with institutional investment management firms, referred to as Portfolio Strategists, to create a number of Models comprising open-end mutual funds or variable annuity sub-accounts with certain variable annuity issuers. Collectively, these investments are referred to as Portfolio Funds.

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

Each of the variable annuity issuers has established various sub-accounts. Variable annuity accounts are subject to the terms and conditions set forth in the variable annuity issuer's prospectus.

The Solicitor who refers you to the Visionary I Program will help you select a portfolio strategy after reviewing and evaluating your investment objectives and risk tolerance. However, even with such assistance, you are solely responsible for selecting the portfolio strategy.

Based upon the information you provide and the Model(s) you select, Visionary will either notify the Portfolio Strategist to execute the Model(s) or will itself execute select Model(s) at the Custodian (described in section VI below) or variable annuity issuer.

The Portfolio Strategists select and monitor the performance of the investments in their Models and periodically will adjust and rebalance the portfolios in accordance with their investment strategies. Client accounts generally will be adjusted automatically based on the Models in which they are invested. However, occasionally, a Model may call for the purchase of a particular Portfolio Fund when no additional shares of that security are available. Similarly, a Model may call for the purchase or sale of a Portfolio Fund when the portion of the investment in the related client account is insufficient to meet minimum requirements. In such cases, the Portfolio Fund will not be rebalanced with the rest of the client's account, which will cause the account as a whole to vary from the Model.

Market conditions, availability of Portfolio Fund shares, and orderly purchase and redemption procedures may delay the processing of rebalancing trades. Your account also may incur short-term redemption fees. Although the purchase and sale of Portfolio Fund shares ordinarily will result in a taxable gain or loss, Portfolio Strategists will not consider the impact of taxes or tax-related issues when rebalancing assets.

Visionary will determine whether a particular Portfolio Fund complies with the investment objectives and risk profiles assigned to a Model only on the date the Portfolio Fund is purchased. This decision will be based upon the price and characteristics of the Portfolio Fund on that date compared to the aggregate value of the investments in the Model as of the most recently preceding valuation date. The value or status of any Portfolio Fund can change after purchase or sale of portfolio shares.

Portfolio Strategist currently approved to provide investment models for the Visionary I Program are: W.E. Donoghue, Good Harbor, Fund Architects, Page One and Absolute Capital. Not all of the Program Strategist models are available with all issuers.

#### **IV. Program Wrap Fees**

The total Visionary I Program fee is two percent (2%) and is comprised of a platform fee and a Solicitor's fee. Solicitors may charge up to a maximum of 1.25% per year of the value of your assets under management, payable each calendar quarter, in advance. The platform fee is 0.75% per annum and is not negotiable. The fee for the Visionary I Program covers Visionary's Solicitor services, the Portfolio Strategists' services, execution of transactions, custody of assets with the Custodian, and reporting and services by the broker-dealer referenced in Exhibit A of the client's Investment Advisory Agreement. If your account is custodied with FOLIOfn, you may incur separate transaction fees should Visionary need to liquidate funds that were transferred in kind to fund the account. In addition, if you elect to receive paper confirmations and statements for accounts custodied at FOLIOfn, an additional annual fee will be charged.

The Solicitor's fee will be negotiated between you and your Solicitor, and will be set forth in the investment adviser agreement that you sign. Solicitor fees may vary based upon the nature of your advisory relationship, the size of your account, the experience level of your solicitor, and the degree to which you have other business or accounts with the solicitor. The fee you pay under the Visionary I Program may differ from the fees Visionary would charge if you had purchased our services separately, for investment advice, brokerage services, or other services. Therefore, your Solicitor may have a financial incentive to recommend the Visionary I Program over other programs or services. Similarly, your fee may differ from the fees that Visionary charges other clients participating in the Visionary I Program, depending on the extent of the services provided to those clients and the cost of such services. Also, fees may be higher or lower than fees for similar services offered through other financial firms. Once established, the Visionary I Program fee will not change based on the services you receive or the number of transactions executed on your behalf during a quarter.

Your initial fee will be calculated as of the date Visionary accepts your Investment Advisory Agreement and your account is funded (acceptance date), and will be based on the market value of your assets on that date. The initial fee will cover the period from the acceptance date 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. Fees will not be adjusted for account appreciation or depreciation during a quarter. If your Investment Advisory Agreement is terminated in its entirety or

with respect to any portion of your assets, Visionary will tender 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.

#### **V. Additional Fees and Expenses**

The fee does not cover brokerage commissions or other charges resulting from transactions not effected through the broker-dealer or its affiliates, custody services provided by any third party custodian, or certain costs or charges that may be imposed by the broker-dealer or third parties, including margin interest; costs associated with exchanging foreign currencies; odd-lot differentials; SEC fees, national security exchange fees; transfer taxes; exchange fees; wire transfer fees; postage fees; auction fees; foreign clearing, settlement, and custodial fees; and other fees or taxes required by law. The fee also does not cover “mark-ups” and “mark-downs” that other broker-dealers may receive or “dealer spreads” that the broker-dealer, its affiliates, or other broker-dealers may receive when acting as principal in certain transactions. 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 I Program fee. If your assets are invested in a money market fund, you may have been able to reduce expenses had you invested in that fund directly.

***In some instances, you can purchase securities directly from the issuer, its principal underwriter, or a distributor without establishing an account in the Visionary I Program or paying the Visionary I 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 I Program.***

#### **VI. The Custodian**

Your assets will be maintained by the custodian in one or more accounts for your benefit by the custodian listed on Exhibit A of your Investment Advisory Agreement or such other firm selected by Visionary in its sole discretion. 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. The custodian will also provide you with an account statement not less than quarterly or monthly if there is activity in the account such as dividend payments, buy/sell transactions or management fee withdrawals.

#### **VII. Wrap Fee Program Disclosures**

Wrap fee programs may not be suitable for all investment needs, and any decision to participate in a wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon, among other considerations.

The benefits under a wrap fee program depend, in part, upon the size of the account, the management fee charged and the number of transactions likely to be generated in the account. For example, a wrap fee program may not be suitable for accounts with little trading activity.

In order to evaluate whether a wrap fee program is suitable for you, you should compare the fees and

any other costs of the program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided under the Visionary I Program.

Participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from third parties.

Our firm and Solicitors receive compensation as a result of your participation in the Visionary I Program. This compensation may be more than the amount our firm or Solicitors would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because our firm and Solicitors have a financial incentive to recommend the Visionary I Program.

If the variable annuity contract was purchased within the preceding twelve (12) months and a commission was paid to the financial representative and then the contract was referred to Visionary as a third party manager for sub-accounts management, a management fee would be applied to the variable annuity contract. This may also represent a conflict of interest to you since you paid a commission for the purchase of the variable annuity contract and incurring ongoing management fees.

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

The Visionary I Program is open to individuals, trusts, estates, corporations, partnerships and other entities, and pension and profit-sharing plans.

Clients who wish to participate in a mutual fund wrap strategy must invest at least \$50,000 for each Model they select. Clients who wish to participate in a variable annuity portfolio must invest at least \$25,000 for each Model they select. Visionary has complete discretion to waive these minimum requirements. Visionary reserves the right, in its sole judgment, to accept investments below that threshold. However, a client whose account is below the standard minimum may not receive the benefits of all available investments due to the practical limitation that smaller allocations of money may create. Therefore, Visionary reserves the right to terminate account management for accounts that may fall below the investment minimum.

#### **Portfolio Manager Selection and Evaluation**

##### **Strategist Evaluation**

Visionary will continuously monitor and conduct due diligence regarding the Portfolio Strategists, but is not affiliated with any of them. Portfolio Strategists, Portfolio Funds, and variable annuity issuers may be added to or deleted from the Visionary I Program from time to time.

Visionary employs a multiphase approach to researching and selecting Portfolio Strategists and Portfolio Funds ("Strategists/Funds") suitable for participation in the Visionary I Program. Strategists/Funds are



evaluated using data and information from several sources, including the Strategist/Fund 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 is the Strategist's Form ADV, as well as portfolio holdings reports that help to demonstrate the Strategist's securities selection process. The investment professionals at the investment management firms are a primary source of information to Visionary, providing quantitative and qualitative information. At least annually, Visionary will review any updates to this information to determine if the Strategists/Funds are still suitable for the Visionary I Program. Portfolio Strategist currently approved to provide investment models for the Visionary I Program are: W.E. Donoghue, Good Harbor, Fund Architects, Page One and Absolute Capital. Not all of the Program Strategist models are available at all issuers.

### **Program Investments**

Visionary authorizes Portfolio Strategists to use various families of mutual funds based on a number of criteria. These funds offer Portfolio Strategists a diversified range of asset classes and investment objectives from which to select in structuring their Models.

Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The mutual fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds can be reduced by the costs to manage the funds.

You will receive a copy of the prospectus and all annual and periodic reports issued by each mutual fund in your account, as well as confirmations of each security purchased and sold for your account (for more information, see the section entitled "Reporting" below).

Clients that elect a variable annuity sub-account portfolio can select Model(s) developed by Portfolio Strategists and Visionary using those specific variable annuity sub-accounts included in the prospectus delivered by the variable annuity issuer. Only variable annuity issuers, and not Visionary, have the authority to add or remove sub-accounts. However, Visionary may add or remove variable annuity issuers.

Visionary directs trades for the variable annuity Model(s) monthly, at the same time with each participating variable annuity issuer so that execution will be as equivalent as possible for all participating clients. The actual time an order is executed may vary depending upon trade volume, systems limitations, and issues beyond Visionary's control.

The Portfolio Funds available through the Visionary I Program may be available through other sources without paying the fees related to the Visionary I Program. Further, clients that redeem other investments to obtain cash to invest in the Visionary I Program may incur tax consequences, redemption fees, or additional cost from sales charges previously paid. Any sales charges previously paid and

applicable redemption fees would be in addition to the fees the Visionary I Program charges on those assets.

For important information about the Portfolio Funds, including investment objectives, risks, charges, and expenses, you should read each Portfolio Fund's prospectus and consider all of the information in it carefully before investing.

Each Portfolio Fund's Portfolio Strategist is solely responsible for managing the Portfolio Fund as described in the applicable prospectus.

Clients generally authorize Visionary, to the extent permitted by applicable law, to invest cash balances in one or more money market funds, which may or may not be affiliated with Visionary. You will receive a current prospectus for each money market fund in which your assets are invested, which will discuss the fund and applicable fees. As described in the Conflicts of Interest section below, your assets held in such funds may be subject to various fees and expenses, and Visionary may receive compensation in connection with these funds.

***\*Note: As of September 1, 2012, Summit Alliance has changed their name to Argentus Capital Management, LLC ("Argentus").***

Visionary has contracted with Argentus Capital Management ("Argentus") to serve in the capacity of portfolio strategies and service provider for the mutual fund Models. As portfolio strategist, Argentus has developed a proprietary tactical model for measuring general market risk and for determining relative strength between different asset classes within the overall market. This model, which is based on technical data that is readily available, is designed to reduce portfolio risk by shifting a portion of your funds from higher-risk securities into money market funds depending on market conditions. Clients who choose to contract to use the overlay manager services will pay an additional fee.

You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). Your restrictions and guidelines may affect the composition and performance of your portfolio which may deviate from the model in which you are invested.

#### **Methods of Analysis and Investment Strategies**

The Portfolio Strategists are selected by Visionary in order to provide clients with a wide range of investment options. In constructing their Models, each Portfolio Strategist generally will utilize either strategic or tactical asset allocation. Strategic asset allocation is an approach to investing based on short-term and long-term financial goals to generate the most revenue while at the same time keeping the level of risk as low as possible. Tactical asset allocation is an active management portfolio strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing irregularities or strong market sectors.

Portfolio Strategists use both technical and fundamental analysis techniques in formulating their Models; some Models will incorporate strategies with specific income distribution objectives. Each Portfolio Strategist has its own investment style, resulting in the use of different asset class and mutual fund or variable annuity sub-account allocations within their Models.

All Portfolio Funds included in the Visionary I Program will be systematically monitored by Portfolio Strategists and/or Visionary. Visionary has discretion to remove Portfolio Funds that are deemed to underperform expectations. As the Portfolio Strategists or Visionary recognizes other funds suitable for the Visionary I Program, these funds will be added periodically to those available for use in the Models. Variable annuity sub-accounts available will depend upon the individual variable annuity issuer selected by the client, and will be more fully described in the issuer's prospectus.

### **Risk of Loss**

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. Portfolio Strategists that have been selected by a client or its Financial Adviser. Accordingly, asset allocation risk may greatly depend on the allocation among Portfolio Strategists and other investment options chosen by such persons. In some cases, Visionary or Argentus may, on behalf of a client, deviate from the target allocations to Portfolio Strategists 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 Argentus 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, Portfolio Strategists, financial advisors, sponsors and other third parties. In addition, recommendations are based on model portfolios by Portfolio Strategists. 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 Portfolio Strategists.

### **Reporting**

The custodian or the Variable Annuity issuer will provide you with a monthly or quarterly report of your account(s). Visionary also may provide a quarterly report of your account(s). Visionary and its affiliates rely on financial and other information provided by third parties. Visionary does not independently verify this information and does not guarantee the accuracy or validity of such information. Visionary does not provide tax advice, and nothing in the performance report should be construed as advice concerning any tax matter.

There are many types of information that you can receive from Visionary, and many ways that you can elect to receive it. You will select certain options, described below, when you execute your Investment Advisory Agreement. You may be charged a fee associated with these options. The options include:

-Quarterly account statement delivered *electronically*, with separate confirmations of each transaction, a list of the assets in the account(s), and related information.

-Quarterly account statement delivered *via regular mail*, with separate confirmations of each transaction, a list of the assets in the account(s), and related information.

-Periodic statement of all transactions that are executed through Visionary for your account(s), delivered *electronically*, with copies of individual transaction confirmations sent to Visionary.

-Periodic statement of all transactions that are executed through Visionary for your account(s), delivered *via regular mail*, with copies of individual transaction confirmations sent to Visionary.

Visionary may provide clients with information about Portfolio Strategists or Portfolio Funds. The information may be prepared by Visionary or by a third party, and will be based on or incorporate information provided by the Portfolio Strategist, Portfolio Funds, and other third-party sources. Performance information may be included in the information provided by Visionary or may be provided by the Portfolio Strategists or Portfolio Funds directly. This performance information is calculated by the Portfolio Strategists and Portfolio Funds themselves or by third parties. This information is not calculated or verified by Visionary or by a third party at Visionary's request, and may not be calculated on a uniform and consistent basis.

#### **Proxy Voting**

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.

#### **Class Action Lawsuits**

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

### **Client Information Provided to Portfolio Managers**

Visionary collects information from clients such as financial situation, investment objectives, time

horizons, risk tolerance, and other information necessary to define that client's investment needs and develops an asset allocation. This information is not provided to the Portfolio Strategists.

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

You may contact or consult directly with Visionary or the Portfolio Strategists, but such meetings typically are arranged by your Solicitor.

#### **Additional Information**

##### **Disciplinary Information**

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

##### **Other Financial Industry Activities or Affiliations**

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

Portfolio Funds 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. Portfolio Funds may direct trades for other accounts outside the Visionary I Program to NEXT as broker-dealer, subject to their duty of best execution. As a result of these relationships, Portfolio Strategists and Visionary may have a conflict of interest in determining which Portfolio Funds to include in the Visionary I Program.

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

###### **B. 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 Visionary, is an insurance agency. NEXT and NFISCO provides 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 I Program may also be clients of NEXT and NFISCO. Fees charged by NEXT and NFISCO are distinct from the fees charged by Visionary.

WE2, Inc. is also the parent company of Visionary Asset Management, Inc. Visionary is the Sponsor and Portfolio Manager for the Visionary Asset Management Wrap Fee Program ("Visionary II Program"). Clients in the Visionary II Program may be solicited to participate in the Visionary I Program and are hereby advised that the services and fees associated with the Visionary II Program are separate and

apart from the services and fees associated with the Visionary I Program. Please refer to the Visionary II 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 representatives, 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 representatives of the broker-dealer. Any compensation they receive in their capacity as registered persons of the broker-dealer or as Solicitors of the registered investment adviser is received only as payment for services rendered to client.

### **C. Investments in Portfolio Funds**

You may be able to purchase shares of Portfolio Funds outside of the Visionary I Program directly from the issuer, its principal underwriter, or a distributor without purchasing the services of the Visionary I Program or paying fees to Visionary in connection with such shares. Certain Portfolio Funds are offered to the public without a sales charge. The sales charge for other Portfolio Funds may differ from the fee for the Visionary I Program.

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

Visionary strives 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, Visionary maintains and enforces its 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.

**Personal Trading Practices**

Our firm, our associated persons, or Solicitors may buy or sell the same securities for you at the same time Visionary buys or sell such securities for our own accounts. A conflict of interest exists in such cases because Visionary has the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, Visionary shall not have priority over your account in the purchase or sale of securities.

**Principal Transactions**

Certain clients in the Visionary I 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 I 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.

**Account Reviews**

Visionary or the applicable Portfolio Strategist have full discretion over the Models and monitor them on a continuous basis. When changes are made to a Model, client accounts that are invested in the Model will be adjusted automatically. Visionary also will perform periodic supervisory reviews of client accounts.

Solicitors are primarily responsible for ongoing review of the client accounts that they service. On an as-needed basis, based upon any changes you may communicate regarding your risk tolerance, investment objectives, and other relevant information, your Solicitor will help you determine whether to alter the Model(s) in which you are invested.

Visionary regularly responds to client inquiries, consults with Solicitors regarding any updates in client financial information and investment objectives, reviews the activity in and investment results of client accounts with Solicitors who will relay the information to their clients, and helps clients decide whether to make changes to their respective portfolio strategies. Your Solicitor 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 Solicitor or Visionary sooner if there are any changes to discuss.

**Client Referrals and Other Compensation**

A portion of your fee under the Visionary I Program generally is paid to your Solicitor. The amount of this compensation may differ from what your Solicitor would receive if you participated in other Visionary I programs or paid separately for investment advice, brokerage, and other services. Accordingly, the Solicitor may have a financial incentive to recommend the Visionary I Program over other programs and services.

NEXT and Visionary are affiliates and under common ownership. Solicitors of NEXT may have a personal ownership stake or have an option to obtain such a stake in Visionary's parent company. NEXT Solicitors receive fees for referring clients to Visionary, which creates a conflict of interest for these advisers.

In addition, Visionary and/or WE2 may reimburse and/or pay for expenses including travel, lodging, entertainment and other related costs associated with Solicitors' attendance at conferences which are

sponsored by WE2. Invitations to such conferences are based upon the amount of client assets which are referred to the Visionary I Program by Solicitors. Clients should be aware, however, that the receipt of economic benefits by a Solicitor in and of itself creates a potential conflict of interest.

Additionally, Visionary may receive expense reimbursement from portfolio strategist used on the Visionary platforms for conferences sponsored by WE2. Clients should be aware, however, that the receipt of economic benefits by Visionary in and of itself creates a potential conflict of interest.

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

#### **VII. Cost Basis Reporting**

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 solicitor 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.

#### **VIII. Financial Information**

Our firm 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.



# VISIONARY

ASSET MANAGEMENT

This report is being provided to you because our records indicate that you are the appropriate contact for the ERISA plan sponsor of a “covered plan” (within the meaning of Department of Labor Rule 408b-2(c)) which is the client of an account managed by Visionary Asset Management, Inc. (“Visionary”) in the managed account or similar program. If you are not the appropriate contact, please let us know by calling (713) 328-4807 or by email at [rd@vamsupport.com](mailto:rd@vamsupport.com).

The following table contains information and references to additional information about Visionary’s services and compensation as required by Rule 408b-2.

Information	Where to find it.
Description of Visionary services.	<p>Visionary’s Form ADV Part 2A, specifically “The Visionary I Program Portfolios” (Pages 2-3), “Account Requirements and Types of Clients” (Page 5), “Program Wrap Fees” (Pages 3-4), “Additional Fees and Expenses and Custodian” (Page 4), “Strategist Evaluation” (Pages 5-6) and “Methods of Analysis, Investment Strategies and Risk of Loss” (Pages 7-8).</p> <p>See also the managed account agreement or similar document regarding the role of Visionary and investment strategies.</p> <p>For the specific strategies, services and features selected for your Account see the Visionary Risk questionnaire and any model portfolio change forms submitted.</p>
Statement concerning services Visionary will provide as an investment adviser, ERISA fiduciary and registered investment adviser.	See the cover page of the Form ADV Part 2A brochure for Visionary’s acknowledgement of its status as a registered “investment adviser” with the SEC. With respect to services provided to your managed account, Visionary also acknowledges its status as a “fiduciary” within the meaning of ERISA section 3(21).
Direct Compensation Visionary will receive from your Account.	Visionary’s fees for sponsoring or otherwise servicing the investment management program are individually negotiated with each sub-adviser based on aggregate assets in the program. As described further in this brochure. Visionary charges a fee of 0.75% annually for its platform services.
Indirect compensation that Visionary will receive from non-affiliates in connection with its services to your Account.	Visionary’s ADV Part 2A, “Client Referrals and Other Compensation” (Pages 12-13); Visionary may receive expense reimbursement from portfolio strategist used on the Visionary platforms for conferences sponsored by Visionary.
Compensation Visionary will receive if you terminate Visionary’s management of your account.	None.

**Visionary Asset Management, Inc.**  
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**Phone: (866) 940-4932, Fax: (713) 333-2705**