

Form ADV Part 2A Brochure

VSR Financial Services, Inc.

8620 W. 110th Street Overland Park, KS 66210

(800) 800-3177

www.vsrfinancial.com

September 30, 2014

This Brochure provides information about the qualifications and business practices of VSR Financial Services, Inc. If you have any questions about the contents of this Brochure, please contact us at 1-800-800-3177. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about VSR Financial Services, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by using a unique identifier known as a CRD number. VSR Financial Services, Inc. CRD number is 14503.

Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by the Investment Advisers Act of 1940 (“IA Act”) rules.

Pursuant to the rule under the IA Act, VSR Financial Services, Inc. (“VSR Financial Services” or “VSR”) will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days as of the close of its fiscal year end of 6/30. VSR Financial Services will provide its clients with other ongoing disclosure information about material changes to its Form ADV as necessary.

VSR will also provide you with a new Brochure as necessary based on changes or new disclosure information to its Form ADV. A brochure may be requested by contacting Richard Holt at 800-800-3177.

Additional information about VSR Financial Services is also available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s website also provides information about any persons affiliated with VSR Financial Services who are registered known as access persons and/or Investment Adviser Representatives (“IARs”) of VSR Financial Services.

This summary of material changes identifies, and provides information to the changes made to VSR Financial Services’ Form ADV 2A Brochure since its last update on January 1, 2014. To review all changes since the last update, please review the entire brochure.

On August 5, 2014, RCS Capital Corporation (“RCAP”) entered into a proposed acquisition of all of the equity of VSR Financial Services’ parent company VSR Group, Inc. through the merger of VSR Group, Inc. into Chiefs Acquisition, LLC a wholly owned subsidiary of RCAP. RCAP is a public reporting company listed on the NASDAQ stock exchange under the symbol RCAP. The transaction is expected to be consummated during the fourth quarter of 2014 or first quarter of 2015. The consummation of the transaction will not result in any change in the officers, management or supervisory personnel of VSR. VSR’s day to day operations will continue to be managed by its current senior management and VSR’s business activities and product lines will not change.

RCAP indirectly owns several other holding companies that own broker/dealers registered with the SEC and the Financial Industry Regulatory Authority (“FINRA”) and also their affiliated Registered Investment Advisers registered with the SEC.

Item 4 (Advisory Business)

We have updated this Item to reflect the current value of assets under management as of 6/30/14.

Items 12 and 14 (Brokerage Practices and Client Referrals and Other Compensation)

We have updated these items to disclose additional brokerage practices and custodians used by VSR.

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Item 4 – Advisory Business

VSR Financial Services, Inc. is registered as a broker/dealer with the United States Securities and Exchange Commission (“SEC”), and the Financial Industry Regulatory Authority (“FINRA”) and is also registered as a Registered Investment Adviser with the SEC. VSR Financial Services is licensed to do business as a broker/dealer and Registered Investment Adviser in all 50 states and Puerto Rico. VSR Financial Services, Inc. also commonly conducts its investment advisory business under the Doing Business As (“DBA”) name of VSR Advisory Services.

VSR Financial Services is wholly owned by its parent company, VSR Group, Inc. VSR Group, Inc. may execute agreements and/or contracts on behalf of VSR Financial Services for items such as rent, office space, and equipment leases. All expenses associated with any agreements or contracts are paid by VSR Financial Services.

On August 5, 2014, RCS Capital Corporation (“RCAP”) entered into a proposed acquisition of all of the equity of VSR Financial Services’ parent company VSR Group, Inc. through the merger of VSR Group, Inc. into a wholly owned subsidiary of RCAP. RCAP is a public reporting company listed on the NASDAQ stock exchange under the symbol RCAP. The transaction is expected to be consummated during the fourth quarter of 2014 or first quarter of 2015. The consummation of the transaction will not result in any change to the officers, senior management or supervisory personnel of VSR. VSR’s day to day operations will continue to be managed by its current senior management and VSR’s business activities and product lines will not change.

RCAP indirectly owns several other holding companies that own (or have pending mergers agreements with) broker/dealers registered with the SEC and the FINRA and may also own affiliated Registered Investment Advisers registered with the SEC. These FINRA broker/dealers include the following:

Cetera Financial Group:

1. Cetera Advisor Networks, LLC
2. Cetera Advisors, LLC
3. Cetera Financial Specialists, LLC
4. Cetera Investment Services, LLC

First Allied Holdings

1. First Allied Securities, LLC
2. Legend Equities Corporation

Other FINRA broker/dealers:

1. Hatteras Capital Distributors, LLC
2. Summit Brokerage Services, Inc.
3. Investors Capital Corporation
4. Realty Capital Securities, LLC
5. J.P. Turner & Company, LLC

In addition to VSR, RCAP is in the process of purchasing the following FINRA broker/dealers:

1. Strategic Capital Distributors, LLC
2. Girard Securities, Inc.

Nearly all of VSR's Investment Adviser Representatives ("IARs") are dually registered as Registered Representatives ("RRs") and offer securities through VSR Financial Services, and are also licensed as independent insurance agents and solicit, offer and sell insurance products in the states in which they conduct business. Therefore, IARs can potentially be acting in all three capacities when soliciting, offering and selling investment products, investment advisory services and/or insurance products to you. The dual registration as RRs and IARs and being licensed as independent insurance agents also may create a conflict of interest when they solicit, offer and sell investment and insurance products for which you would pay a commission, while also soliciting, offering and selling investment advisory services and managing the assets in your account for an investment advisory fee.

Types of Services Offered

VSR and its Investment Adviser Representatives ("IARs") may solicit, offer and sell fee based investment advisory services, including fee based financial planning, and fee based asset managed accounts. IARs when also acting as RRs and/or independent insurance agents may also solicit, offer and sell securities and insurance products, including but not limited to individual stocks and bonds, mutual funds, closed end funds, Exchange Traded Funds ("ETFs"), fixed and variable insurance products, and non-traded alternative products, such as Real Estate Investment Trusts ("REITs"), private placements and direct participation programs ("DPPs"). Usually the client will be charged a commission when purchasing these types of securities or insurance products. Depending on the type of securities product recommended and sold, and/or the nature of the investment advisory services recommended by the IARs, clients may either be charged a commission or an investment advisory fee or a combination of them. Commissions are most often charged for securities products purchased and sold on a transaction by transaction basis in a commission brokerage account or that are submitted and held directly with a product sponsor. An investment advisory fee is usually charged based on the amount of the client's assets under management with the IAR as agreed upon under an Investment Advisory Agreement signed by the client. See Item 5 (Fees and Compensation) for additional information on commissions and fees.

The IAR will make a determination based on the client's financial situation, age, income, tax status, investment objectives, and risk tolerance whether to recommend a commission product or investment advisory fee relationship or a combination of both. Some securities products, such as alternative products may not be eligible to be placed in a fee based investment advisory account and can only be purchased on a commission basis.

Background information regarding each Investment Adviser Representative is contained in the IAR's individual Brochure Supplement, which is known as the Part 2B Brochure Supplement of Form ADV. A copy of the Part 2B Brochure Supplement will be provided to each client on or before the client executes the Investment Advisory Agreement with VSR Financial Services. VSR and its IARs do not provide any advice regarding whether to participate in class action lawsuits brought by a third-party against the issuers of securities held in a client's account.

The following provides a description of the types of investment advisory services offered and provided by VSR and its IARs:

Investment Supervisory Services and Individual Portfolio Management

IARs provide continuous advice to a client regarding the investment of client funds based on the individual needs of the client. The IAR and the client discuss the client's specific financial situation, goals and investment objectives, investment experience, time horizon, liquidity needs and risk

tolerance. The IAR then helps develop asset allocation strategies and/or models and makes recommendations to the client to manage the client's portfolio according to those agreed upon parameters.

Investment management services are provided under a written Investment Advisory Agreement between VSR Financial Services and the client. Under the terms of the Investment Advisory Agreement, the IAR is either authorized by the client to execute transactions on a discretionary basis without contacting the client or on a non-discretionary basis requiring the client's authorization for each investment recommendation. If the client's financial situation, investment objectives or risk tolerance change he or she should promptly notify their IAR.

The types of investment advisory programs offered are described and listed below:

Managed Asset Planning ("MAP") Program (First Clearing and Pershing as Custodian):

MAP accounts are portfolios managed by the IAR on a discretionary basis unless the client specifically signs in writing that he or she wants the MAP account managed on a non-discretionary basis. The client's MAP account is held by one of VSR's clearing firms either First Clearing or Pershing. Clients have free internet access for all of their accounts. Each clearing firm sends monthly client statements and year-end tax summaries to the client. In addition to the quarterly investment advisory management fee on MAP accounts, clients pay a ticket charge for each transaction executed in the client's account.

Investments in the MAP Account include: load-waived A-share mutual funds, no-load mutual funds, variable annuities, stocks, bonds, UITs and other general securities. The maximum total annual investment advisory fee is 3%, which may be negotiated to a lower rate as agreed to with the client under the MAP agreement. The minimum investment amount for a MAP account is generally \$10,000.

Investment Management Program ("IMP") (Charles Schwab, TD Ameritrade and other custodians or mutual fund and insurance companies):

IMP accounts are portfolios managed by the IAR on a discretionary basis. The IMP program is similar to the MAP Program, but includes a broader list of custodian choices. Each custodian may have their own transaction ticket charges in addition to the quarterly investment advisory fee charged by VSR.

Investments in the IMP Program are identical to that of the MAP Program unless restricted by the specific custodian chosen for the account. The maximum total annual fee is 3% and may be negotiated to a lower rate as agreed to with the client under the IMP agreement. The minimum investment amount for an IMP account is generally \$10,000.

FOLIOfn:

Foliofn is a discretionary investment advisory management program using a model based portfolio management strategy. IARs manage to specific models rather than managing each client's account individually. The client's investment objectives are matched up to models managed by the IAR with a strategy of managing the accounts in one efficient trading platform. Clients may change models at any time as their risk tolerance or investment objectives change. The client must communicate those changes directly to the IAR. This Foliofn program is primarily used for stocks, ETFs and mutual funds, but other securities may also be utilized.

Foliofn include services such as FOLIOVote (a proxy voting service), multiple tax management strategies, and reporting capabilities. The maximum total annual fee is 3% and may be negotiated to a lower rate as agreed to with the client under the Foliofn agreement. The minimum investment amount for a FOLIOfn account is generally \$10,000.

Private Investment Management (“PIM”) (First Clearing):

PIM is a discretionary investment advisory management program where the IAR is the portfolio manager. The IAR manages the client's portfolio based on specific strategies and/or investment styles that are developed by the IAR. Asset allocation and securities selection are determined by the IAR in conjunction with client's stated investment objectives and risk tolerance.

PIM is an all-inclusive wrap program where the investment advisory fee and ticket charges are charged together (“wrapped”) under the quarterly investment advisory fee charged to the client. The PIM program is not designed for actively traded or inactive accounts and may not be suitable for all investors. The maximum total annual fee is 3% and may be negotiated to a lower rate as agreed to with each client under the PIM agreement. The minimum investment amount for a PIM account is \$50,000.

Asset Advisor (First Clearing):

Asset Advisor is a non-discretionary asset-based investment advisory program. With Asset Advisor, all transaction recommendations made by the IAR must be authorized by the client. The IAR provides investment advice and recommendations based on objective research as well as profiling, asset allocation, investment selection, ongoing monitoring and rebalancing with certain securities.

Asset Advisor is an all-inclusive wrap program where the investment advisory fee and ticket charges are wrapped and charged together as a part of the quarterly investment advisory fee. Asset Advisor is not designed for actively traded or inactive accounts and may not be suitable for all investors. The total maximum annual fee is 3% and may be negotiated to a lower rate as agreed to with each client under the Asset Advisor agreement. The minimum investment amount for an Asset Advisor account is \$50,000.

CustomChoice (First Clearing):

CustomChoice is a non-discretionary asset-based investment advisory program that utilizes only mutual funds as the investment option. With CustomChoice all transaction recommendations made by the IAR must be authorized by the client. The IAR provides investment advice and recommendations on the mutual funds based on objective research as well as risk profiling, asset allocation, investment selection, ongoing monitoring and rebalancing. Automatic rebalancing is available at no additional cost. The CustomChoice program is intended for the client to follow a strategic asset allocation process, which is written in the disclosure document.

The CustomChoice is an all-inclusive wrap program where the client is charged a quarterly investment advisory fee. CustomChoice is not designed for actively traded or inactive accounts and may not be suitable for all investors. The maximum total annual fee is 2.75%, which may be negotiated to a lower rate as agreed to with each client under the CustomChoice agreement. The minimum investment amount for a CustomChoice account is \$25,000.

VSR General Portfolio Service (“GPS”) (First Clearing or Pershing):

GPS is a discretionary investment advisory program where clients' accounts are managed by directly by VSR's portfolio manager. The portfolios may be held at First Clearing or Pershing. Investments in the GPS Program will consist primarily of ETFs. However, in some circumstances mutual funds, closed-end funds or individual stocks may be used.

The IAR will work with the client to identify the asset allocation which best fits the client's investment objectives and risk tolerance. VSR will then manage the client's accounts to match the chosen asset

allocation. IARs may view their clients' accounts continuously on-line. Clients also have free internet access to view their accounts. The clearing firm will provide monthly statements and a year-end tax summary. IARs may also choose to provide the client with quarterly performance reports created through Morningstar. The maximum total annual fee is 2%, which may be negotiated to a lower rate as agreed to with each client under the GPS agreement.

Third-Party Advisers

IARs may recommend that the client engage the services of third-party investment advisers ("third-party advisers" or "money managers") to provide investment management services regarding the client's account. Third-party advisers will be recommended when the third-party adviser's strategy fits within a particular client's financial situation, investment objectives and risk tolerance. The services to be provided by the third-party adviser, the compensation to be paid, and other terms of the relationship between the client and the third-party adviser will be described in the third-party adviser's disclosure documents and managed account agreement. VSR Financial Services will receive a portion of the investment advisory fee paid by the client to the third-party adviser.

IARs are not permitted to recommend third-party investment advisers unless the money manager has been approved by VSR. Before approving a money manager, VSR reviews and conducts due diligence on the third-party adviser concerning its programs and performance, reviews the third-party adviser's client materials, including its Part 2A of Form ADV, disclosure documents, and the third-party adviser's investment advisory agreement(s), performs a review of the third-party adviser's registration history, including any complaints or disciplinary actions by regulatory bodies and interviews the third-party adviser's personnel to discuss the third-party adviser's overall investment style, philosophy, management and strategy to ensure that it fits with the client's financial situation, investment objectives and risk tolerance.

VSR will not approve a money manager until it has conducted due diligence on the money manager's knowledge, experience, investment philosophy and style and performance history. A money manager will not be recommended to a client unless the third-party adviser is registered or exempt from registration in the client's state of residence. The amount of the investment advisory fees charged varies depending on the third party adviser and the amount of assets under management. The amount of investment advisory fees to be received is disclosed and agreed upon by the client in the third-party adviser's Investment Advisory Agreement.

Neither VSR Financial Services nor the IAR directly supervises or is responsible for the actions or investment advice provided by any third-party advisers. However, VSR does conduct periodic reviews and monitors the money managers, including their investment performance and at its discretion, VSR may terminate a money manager. IARs will review the third-party adviser's performance, as they meet with their clients and will discuss if the third-party adviser is meeting the objectives agreed upon and whether to retain the money manager. VSR Financial Services cannot predict, assure or guarantee that any third-party adviser will continue to meet or maintain its stated investment objectives or performance.

Financial Planning

VSR and its IARs offer fee based financial planning services. Financial planning is a detailed evaluation of a client's current and future financial situation by using current data and unknown variables to estimate future cash flows, asset values and withdrawal plans. Clients purchasing this service receive a written report with a detailed financial plan designed to assist the client in achieving his or her financial goals and objectives. In general, the financial plan can address any or all of the following areas:

1. Asset Allocation: Based on the client's financial situation, investment objectives, and risk tolerance,

IARs may make asset class or asset mix recommendations.

2. Education Planning: Based on the client's financial situation, investment objectives, and risk tolerance, IARs may make an analysis and recommendations as to the savings and investment goals clients would need to set in order to provide adequate capital for higher education goals.
3. Estate Planning: Based on the client's financial situation, investment and estate distribution objectives, and risk tolerance, IARs may make an analysis and recommendations for strategies to help provide clients maximum estate value retention and liquidity.
4. Financial Statements and Portfolio Reports: IARs may provide clients with a financial statement or portfolio report and analysis.
5. General Analysis and Planning: IARs can also provide planning on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning or other planning service offered by VSR.
6. Insurance Profile/Analysis: IARs may make an analysis and recommendations as to the adequacy of insurance coverage and possible solutions to any perceived gaps in insurance.
7. Retirement Planning and Analysis: Based on the client's financial situation, investment objectives, and risk tolerance, IARs may make an analysis and recommendations as to the savings and investment goals clients would need to set in order to provide adequate capital and income to maintain their standard of living after retirement.
8. Business Retirement Planning: Based on a business's objective to provide or assess retirement planning opportunities for its employees and/or partners, an IAR may provide a review of a current business retirement plan, assist in the review or preparation of an Investment Policy Statement, or work with the business to install a retirement plan.

The IAR gathers required information through in-depth personal interviews. Information gathered includes the client's current financial situation, tax status, future goals, returns objectives and attitudes toward risk. The IAR will review financial documentation and statements provided by the client, and may have the client complete a risk tolerance questionnaire. The IAR will then prepare a written report specific to the financial planning services agreed upon with the client. Should the client choose to implement the recommendations contained in the financial plan, the IAR will recommend that the client work closely with his/her attorney, accountant, insurance agent, and/or financial professional. The implementation of financial plan recommendations by the IAR is entirely at the client's discretion. Typically the financial plan is presented to the client within 90 days of the agreement date, provided that all information and documentation needed to prepare the financial plan has been promptly provided by the client.

Since IARs of VSR are also Registered Representatives ("RRs") of VSR recommendations made to implement financial plans are limited to only those products offered through VSR Financial Services. Any insurance recommendations will be limited to the companies the IAR is licensed to conduct business with as an insurance agent or broker. VSR's IARs do not make recommendations concerning the purchase or sale of specific securities in the financial plan.

Clients should be aware that there can be no assurance or guarantee that any of the objectives and goals outlined in the financial plan may be achieved.

Business Continuity Plan

VSR has established a Business Continuity Plan ("BCP"). The BCP describes how VSR would respond to significant business disruptions and provide investors with alternative contact information and access in the event of a significant business disruption. The BCP may be found at www.vsrfinancial.com. It is also available upon written request.

Assets Under Management

As of June 30, 2014, VSR Financial Services has approximately \$2.1 billion of assets under managed on a discretionary basis and approximately \$0.9 billion of assets managed on a non-discretionary basis.

Item 5 – Fees and Compensation

Description of Fees and Compensation

In general fees for VSR's investment advisory services are based on a percentage of the client's assets under management and are charged quarterly in advance by debiting the investment advisory fees from client accounts, except as otherwise specified below. Under no circumstances does VSR require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered. Certain clients may also have specific fee arrangements.

Financial Planning Fees

The fees for financial planning services are negotiable and depend on the nature of the financial planning services provided, the time and the complexity of each client's circumstances. All fees are agreed upon prior to entering into the Financial Planning Agreement with the client.

Fees for financial planning services may be charged in the following manner:

Hourly Fees - IARs may charge an hourly fee for financial planning services. The amount of the hourly fee is set by each IAR and is described in the Financial Planning Agreement signed by the client. The minimum charge is \$75 per hour and the maximum charge is \$350 per hour.

Fixed Fees - IARs may charge a fixed fee for particular financial planning services. The total financial planning fee will be determined based upon the nature and complexity of the financial planning services provided to the client.

The hourly or fixed financial planning fees are in addition to any commissions that may be charged by VSR and IAR in his or her capacity as a Registered Representative as a result of the client implementing any recommendations made by the IAR. Generally, financial planning fees are payable at the time the client signs the Financial Planning Agreement. However, depending on the fee and complexity of the financial planning services provided, the IAR may collect a portion of the fee upfront with the remaining portion due at the delivery of the financial plan to the client. However, payment will not exceed \$1,200 in advance for development of a financial plan that will not be completed within six months.

Clients should understand that the fixed or hourly financial planning fees charged to the client may be higher than the financial planning fees charged by other investment advisers for similar services. Clients should consider the level and complexity of the planning services to be provided when negotiating the fee with their IAR.

The Financial Planning Agreement for financial planning services may be terminated at any time by providing written notice to the appropriate parties. Financial Planning services will be terminated upon receipt of such notice without penalty. However, the client will be charged a pro-rata portion for financial planning services rendered up to the date of termination of the agreement. After receiving notice of termination, VSR will promptly send the pro-rata refund of any financial planning fees paid in advance.

Investment Advisory Fees

VSR generally bills its investment advisory fees in advance based upon the average daily balance in the client's account, which is calculated taking the balances of each trading day and calculating the average daily balance as of each calendar quarter end.

Some accounts may be billed in arrears and are calculated taking the account value balance as of the end of a quarter or on a semi-annual basis as agreed upon in the Investment Advisory Agreement with the client. Clients may also elect to be billed directly by invoice for investment advisory fees or to authorize VSR to directly debit fees from other brokerage accounts held by VSR or one of its custodians.

In no event shall a client be required to pre-pay more than \$1,200 of investment advisory fees six or more months in advance.

Third-party Money Managers and Wrap Fee Programs

Clients pay an investment advisory fee as described in the third-party investment advisory money manager's client agreement. The third-party money manager may establish an investment advisory fee schedule or set a minimum or maximum investment advisory fee. The investment advisory fee typically is based on the amount of clients' assets under management as calculated by the custodian and will vary by the selected third-party money manager. The investment advisory fee typically will be deducted from the client's account by the custodian and paid as of the account balance as of the end of a calendar quarter either in arrears or in advance, depending on the third-party adviser. A portion of the investment advisory fee charged by the third-party money manager is paid directly to VSR by the custodian. VSR shares a portion of the investment advisory fee with its IAR. An investment advisory account managed by a third-party money manager may be terminated pursuant to the terms outlined in the third-party adviser's client agreement. The client agreement discloses how clients can obtain a refund of any pre-paid investment advisory fees if the agreement is terminated before the end of a billing period.

There may also be other fees, charges and expenses that may be charged by other third-party advisers and/or the custodian of the client's account that may apply to the investments managed by third-party advisers. The client may be charged commissions, markups, markdowns, transaction or ticket charges, and/or account administration fees by the broker/dealer and/or custodian executing transactions in the client's account. The custodian may also charge custodial fees for assets held in the managed assets program account. These additional fees and charges are disclosed in the client agreement executed by the client when the account is opened.

If a client has elected to use a third-party money manager wrap fee program they should carefully review the third party adviser's client agreement and disclosure documents before signing them.

Accounts Subject to the Employee Retirement Income Security Act

Accounts that are subject to the Employee Retirement Income Security Act ("ERISA") may not be charged mutual fund marketing or service fees also known as 12b-1 fees. Therefore, to help avoid engaging in prohibited transactions, VSR only charges investment advisory fees for products that VSR

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and/or our access persons do not receive any commissions or 12b-1 fees. VSR may charge clients an Account Activation Fee for services in setting up, opening, and activating an investment advisory managed account. Unless otherwise directed by the client in writing, the Account Activation Fee will be paid from the investment advisory managed account. The amount of the Account Activation Fee may be either a fixed amount or a percentage of the value of the assets in the managed account. If charged as a percentage the amount of the Account Activation Fee shall not exceed one-half percent of the value of

such assets in the managed account.

The amount charged by VSR for investment advisory fees excludes charges and costs for brokerage commissions, transaction fees, ticket charges and other account related charges and/or fees, which shall be incurred by the client. Clients may also incur certain charges imposed by custodians, brokers, and third-party advisers such as fees charged by money managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Mutual funds, variable annuities and Exchange Traded Funds may also charge 12b-1 fees and internal management fees, all of which are disclosed in the mutual fund's prospectus or Statement of Additional Information.

Pre-paid Investment Advisory Fees

Other than the first calendar quarter when an account is opened, investment advisory management fees are billed quarterly in advance meaning that VSR deducts the investment advisory fee before the three-month billing period has begun. Fees are usually deducted from one or more accounts designated by the client. The client must consent in advance to the direct deduction of the investment advisory fees in his or her account.

For the calendar quarter in which an investment advisory agreement is terminated, the investment advisory fee will be pro-rated based upon the number of days in the billing cycle that the account has been active, and the client will receive a pro-rata refund calculated based on the number of days in the billing cycle. Pursuant to the terms of the Investment Advisory Agreement upon termination of the agreement, VSR and the IAR are no longer authorized to provide investment advice to the client. Therefore, the client's account will be transferred into a commission brokerage account and all future transactions will be charged a per transaction commission. Commission brokerage accounts are subject to the usual and customary transaction based commissions, any charges and/or fees by the clearing firm and/or custodian who holds and maintains the account on behalf of the client.

The investment advisory fee for financial plans may be billed in advance with the balance due upon delivery of the financial plan. The Financial Planning Agreement for financial planning services may be terminated at any time without penalty by providing written notice to VSR. However, the client will be charged a pro-rata amount for financial planning services rendered through the date of termination. Within 30 days after the date VSR Financial Services receives the client's notice of termination, a pro-rata amount of any prepaid fees will be refunded back to the client.

Other Compensation

Third-party advisers, mutual fund companies, insurance companies, and other product sponsors may agree to pay directly or indirectly additional compensation where VSR Financial Services would receive a direct economic benefit. This additional compensation may include but is not limited to solicitor fees, marketing allowances and support, sponsorship at various VSR conferences, meetings and/or functions. Compensation arrangements will differ with the various third-party advisers, mutual fund companies, insurance companies and other product sponsors that have selling agreements or arrangements with VSR. Therefore, these compensation arrangements may represent a conflict of interest, since they may affect the independent judgment of VSR Financial Services or its IARs when recommending certain investment advisory programs or products over others. However, VSR and its IARs have a fiduciary responsibility to act in the best interests of our clients when recommending investment and insurance products.

VSR and its IARs when acting in the capacity of a Registered Representative soliciting, offering and

selling commission based investment products will receive commissions from the execution of securities transactions. VSR and its IARs also may receive commissions from the sale of fixed insurance products solicited, offered and sold by the IARs when they are acting in the capacity as an insurance producer. The fact that VSR Financial Services, and its IARs may receive commissions for certain securities or insurance products they recommend creates a potential conflict of interest, since they may affect the independent judgment of VSR or its IAR when recommending one securities or insurance product over another product. However, VSR and its IARs have a fiduciary responsibility to act in the best interests of our clients when recommending investment and insurance products.

Clients who invest in mutual funds or other registered investment companies are advised that such funds may pay investment advisory and/or management fees to investment advisers and others, and also may pay marketing or service fees, including 12b-1 fees to VSR. These marketing and service fees are costs to the client, and are in addition to the investment advisory fees paid to VSR Financial Services under the Investment Advisory Agreement.

IARs may solicit, offer and sell securities to any client for commissions when acting in their capacity as a Registered Representative. This could be a potential conflict of interest since VSR and the Registered Representative may also receive investment advisory fees for recommendations made as an IAR.

Clients are under no obligation to accept or implement the IAR's recommendations and may use any other broker/dealer or insurance agent to implement such recommendations.

Investment Advisory Fees in General

Clients should be aware that other investment advisers may charge lower fees for similar investment advisory services. A client could also invest on his or own in a security or a portfolio of securities directly without being charged for investment advisory services. Clients should be aware that investment advisory program fees charged may be higher or lower than if the client elected to execute transactions on a commission basis for each transaction in a commission brokerage account. Investment advisory fees may be subject to negotiation depending upon a range of factors including, but not limited to account size and the type of investment advisory services provided.

Clients should consider the value of these investment advisory services when making such comparisons. The combination of custodial, investment advisory and brokerage services may not be available separately or would require maintaining multiple accounts, documentation, and fees. Clients should also consider the amount of anticipated volume of trading activity when selecting among the investment advisory programs when assessing the overall cost. Investment advisory programs typically take into consideration certain volume of trading activity and therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash allocations may result in higher investment advisory fees being paid over time than if the client paid a commission separately for each transaction.

A portion of the investment advisory fees or commissions charged for the programs may be paid to VSR in connection with soliciting clients to third-party advisers under a Solicitor's Agreement. This compensation may be more or less than if you paid separately for the third-party money managers investment advice, brokerage, and other services, and may vary depending on the investment advisory program or services offered by the third-party adviser.

Item 6 – Performance-Based Fees and Side-By-Side Management

VSR does not participate in any investment advisory programs that charge performance-based fees, nor does VSR permit its IARs to enter into performance-based fee arrangements with their clients.

Many IARs also manage commission based brokerage accounts for their clients. The client's investment objectives and risk tolerance in a commission brokerage account may be different than those in the client's investment advisory asset management accounts. Additionally, clients in commission brokerage accounts may receive an execution price that may be higher or lower than the execution price in an investment advisory account.

Item 7 – Types of Clients

VSR provides investment advisory services to the following types of clients:

1. Individuals including high net worth individuals
2. Pension and Profit Sharing Plans
3. Charitable Organizations
4. Corporations, Partnerships and other businesses not listed above

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

IARs use a variety of methods to analyze a client's situation as well as economic factors to develop investment advice and recommendations. IARs may use one or more of the following methods of analysis to formulate investment advice or manage the client's account:

Charting - In this type of technical analysis, the IAR reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

Fundamental Analysis – IARs evaluate economic and financial factors to determine if a security may be underpriced, overpriced or fairly priced. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis - IARs analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis – In this type of technical analysis, IARs measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Quantitative Analysis - IARs use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis – IARs subjectively evaluate non-quantifiable factors and attempt to potentially predict changes to share price based on that data.

Asset Allocation – IARs attempt to identify an appropriate ratio of asset classes that are consistent with the client's investment objectives and risk tolerance.

Mutual Fund and/or ETF Analysis – IARs evaluate a variety of factors in an attempt to potentially predict the future performance of the mutual fund or ETF. The IAR may consider the experience, expertise, investment philosophy, strategy and past performance to determine if a manager has demonstrated the ability to invest over a period of time and in different market conditions. The IAR may monitor the manager's underlying holdings, strategies and concentrations. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Third-Party Money Manager Analysis - VSR examines the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. VSR may monitor the manager's underlying holdings, strategies, concentrations and the due-diligence process and survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as VSR does not control the manager's daily business and compliance operations, VSR may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Recommendations will be based on the information provided by the client, the IARs discussions with the client, the IARs analysis of the client's financial situation, investment objectives and risk tolerance and general economic or tax considerations. If the client's personal, financial situation, investment objectives or risk tolerance change they are advised to promptly notify their IAR. Clients should discuss with their IAR the methods of analysis and strategies used by the IAR.

Risks of Various Methods of Analysis

There are risks inherent in each type of analysis described above. For example, a risk of any method analysis that considers the past performance of investments for future performance is that past performance does not guarantee future results. Some methods of analysis, such as fundamental analysis focus on identifying the value of the company without considering external factors, such as market movements. Failure to consider external factors presents a potential risk, as the price of a security may be impacted by the overall market, regardless of the economic and financial factors considered in evaluating the specific risk. Other methods of analysis, such as technical analysis evaluate external factors, but do not consider the underlying financial condition of the company. Failure to consider a company's underlying value presents a risk that a poorly managed or financially unsound company may under-perform regardless of positive market movements.

A risk of investing with a third-party money manager who has been successful in the past is that the manager may not be able to replicate that success in the future. Therefore, any method of analysis is not proven to work in all market conditions. All investments and investment strategies involve various risks, and there is no guarantee that any investment or investment strategy will meet its objective(s). Investing in the financial markets always involves the possible risk of loss of principal.

Item 9 – Disciplinary Information

On June 24, 2005, the National Association of Securities Dealers (NASD) approved a settlement of the NASD's investigation into whether VSR failed to properly supervise trading activity in its customers' brokerage accounts. The investigation arose as a result of an active trading strategy used by a former Representative, although VSR received no complaint from the client involved. All of the alleged active trading occurred in brokerage accounts and no investment advisory client accounts were involved. Without admitting or denying the allegations, VSR consented to a censure and a \$10,000 fine.

On December 12, 2006, the NASD accepted a settlement related to its investigation into whether a management person in VSR's trade department failed to detect and prevent trades resulting from a Registered Rep's unsuitable recommendations to a public customer. Without admitting or denying the findings, the management person consented to a \$7,500 fine and was suspended in 2007 from association with any NASD member in a principal or supervisory capacity for 15 business days.

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

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

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

On May 15, 2013, the Financial Industry Regulatory Authority (FINRA) accepted a settlement related to its assertions regarding VSR's supervisory system, and suitability related to certain sales to customers. Without admitting or denying the assertions, VSR consented to a \$550,000 fine. As part of the settlement, a senior member of VSR's management team was suspended from association with any FINRA member in a principal capacity for 45 days and was fined \$10,000.

Item 10 – Other Financial Industry Activities and Affiliations

Financial Industry Activities

In addition to VSR Financial Services, Inc. being registered as a Registered Investment Adviser with the SEC, VSR Financial Services Inc. is also a securities broker/dealer registered with the Financial Industry Regulatory Authority (FINRA). As stated previously, as of August 5, 2014, RCS Capital Corporation ("RCAP") entered into a proposed acquisition of all of the equity of VSR Financial Services' parent company VSR Group, Inc. RCAP indirectly owns other broker/dealers listed under Item 4 (Advisory Business).

Affiliations

Investment Adviser Representatives ("IARs") of VSR are separately licensed as registered representatives of VSR Financial Services, Inc. They are also licensed insurance agents representing various insurance companies. As such, IARs are able to receive separate, yet customary commission

compensation resulting from implementing securities and insurance product transactions on behalf of investment advisory clients. The clients are not under any obligation to engage the IAR when considering whether to implement any investment advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

While VSR and its IARs endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of IARs when making recommendations.

Under the Investment Advisers Act, the change of ownership under RCAP may be considered an assignment of the firm's investment advisory agreements. As a result, clients were asked to consent to the assignment of their investment advisory agreement from the change of ownership. The change of ownership will not affect the investment advisory services provided by your IAR.

Other Outside Business Activities

Some IARs own or are affiliated with independent Registered Investment Adviser ("RIA") firms. These firms are not affiliated with VSR and their activities are not supervised by VSR. Typically, IARs that own or are affiliated with an independent RIA may only offer and provide fee based financial planning services through the RIA.

Fees for financial planning services provided by the IAR through their own independent RIA are separate and distinct from any fees paid to VSR in their capacity as an IAR of VSR Advisory Services.

Clients that engage an IAR through an independent RIA firm will receive a copy of that firm's disclosure documents and execute a Financial Planning Client agreement specifying the financial planning services to be provided and fees to be charged by the independent RIA.

Certain IARs may have other business activities and offer services, such as tax preparation, accounting, legal, real estate, employee benefits consulting, or other businesses, that are outside business activities from their registration as an IAR of VSR. VSR does not supervise or receive compensation from these other outside business activities. IARs engaging in these other outside business activities do so independently of their registration with VSR.

VSR may also enter into certain arrangements to offer brokerage and advisory services to the clients of independent unaffiliated financial institutions (credit unions, credit union service organizations, banks and savings banks). A portion of the client's investment advisory fee will be paid by VSR to the financial institution pursuant to a fee sharing arrangement as long as the agreement with the institution is in effect. The financial institution does not provide any investment advisory services to the client.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics

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

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

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

Participation or Interest in Client Transactions

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

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis. Generally, in such circumstances the affiliated and client accounts will share execution costs equally and receive a total average price. VSR will retain records of the trade order specifying each participating account and its allocation. Completed trade orders will be allocated according to the instructions from the initial trade order. Partially filled trade orders will be allocated on a pro-rata basis. Any exceptions will be explained on the trade order. Additional information on VSR's trade aggregation policies can be found in Item 12.

Personal Trading

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

VSR and the IARs may or may not maintain investment positions in their personal portfolios that are recommended to clients. In fact, VSR and the IARs may take positions or execute transactions for their personal accounts which are materially different than the positions or transactions recommended for their clients. Employees and IARs are expected to purchase or sell a security for their personal accounts only after trading of that same security has been executed in customer accounts.

The Code of Ethics requires pre-clearance of certain transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity in clients' accounts with a security also held by an employee. Therefore, a potential conflict of interest exists when VSR and its IARs purchase and sell the same securities owned by our clients. Trading activity of IARs and employees is reviewed and monitored under the Code of Ethics to help reasonably prevent this conflict of interest in trading between VSR and its clients.

VSR's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the

firm at the address noted on the cover of this brochure.

Item 12 – Brokerage Practices

Research and Other Benefits

The custodians used by VSR may make available other products and services that benefit VSR, but may not directly benefit you or your account. These products and services assist VSR and the IAR in managing and administering your account. These include investment research, access to client account data (such as duplicate trade confirmations and account statements), facilitation of trade execution, allocation of aggregated trade orders for multiple client accounts, pricing and other market data, facilitation of payment of our fees from clients' accounts, assistance with back-office functions, recordkeeping, and client reporting.

Some services help VSR manage and further develop its business operations. These services include publications, educational conferences and events, and consulting on technology, compliance, legal, and other business needs.

Custodians and Clearing Firms

Information related to client referrals can be found in Item 14 of this Brochure.

VSR does not maintain custody of client assets, because the firm does not have authority to withdraw assets from client accounts to pay investment advisory fees and does not charge more than \$1,200 six months or more in advance. Your assets will be maintained in an account at a clearing firm and/or third-party custodian. Most clients' accounts are held at First Clearing Corporation or Pershing. However, VSR's IARs may recommend other custodians as noted below.

The custodians will hold your assets and buy and sell securities when instructed to do so. You will enter into an account agreement directly with the custodian. If you use a third-party money manager, they may have arrangements with a different custodian. The client agreement for that third-party manager will disclose the custodial arrangements.

Selection of Brokers/ Dealers and/or Custodians

Clients are free to select and implement investment recommendations with any broker-dealer and/or Custodian of their choice. When clients decide to implement investment advice through a VSR IAR, the client will be required to establish an investment advisory account through a Custodian approved by VSR. VSR allows its IARs to manage accounts through a number of different Custodians. Every Custodian approved by VSR has an affiliated broker/dealer that is registered with the SEC and a member of FINRA and SIPC.

As previously stated, VSR IARs may also be Registered Representatives of VSR Financial Services. These dually registered VSR Advisory Representatives are restricted from maintaining client accounts at or executing client transactions in such client accounts through any broker/dealer or custodian that is not approved by VSR. It should be noted that not all RIAs require their clients to use specific broker-dealers and/or other custodians required by the RIA. The fees charged by other broker-dealers may be higher or lower than those charged by VSR.

VSR Financial Services may act as an introducing broker for transactions in some accounts and will be paid a portion of the ticket charge and/or commission for each transaction for your accounts that are not wrap accounts. Clients pay a ticket charge for each transaction that VSR is charged by the clearing firm.

VSR does retain a portion of this ticket charge. This compensation received by VSR is not shared with the IAR providing investment advisory services to clients. The receipt of a portion of the ticket charge may represent a conflict of interest.

Brokerage and Custody Costs

The custodians generally do not have a separate charge for custodial services, but the custodians are compensated by charging you commissions or other fees on transactions executed in your account. These fees are in addition to the commissions or other compensation you pay the executing broker/dealer.

VSR or its IAR do not have the discretion to determine the broker/dealer to be used or the commission rates to be paid. However, IARs will usually recommend that the client use the brokerage services of VSR and one of our primary clearing firms as noted previously.

IARs do not negotiate commission rates with our clearing firms. Clients will pay the usual and customary brokerage commission rates charged by the designated broker/dealer unless discounted by the IAR. The decision to discount the commissions on any particular transaction will be made on a case by case basis by the IAR unless agreed otherwise in the investment advisory agreement. Insurance transactions may be executed through agencies or companies not affiliated with VSR and will be charged commissions rates set by such agencies or companies.

VSR and the IAR do not represent that the commissions or other amounts charged by VSR, any other clearing firm or any insurance agency or company are the same as or lower than commission rates charged by other broker/dealers or insurance companies. The commissions or other amounts charged by the designated clearing firm or insurance agency may be higher than those available from other clearing firms. However, the client may choose to implement securities or insurance transactions through other clearing firms or insurance agents.

Trade Aggregation

Transactions implemented for client accounts are generally executed separately, unless an IAR decides to purchase or sell the same securities for several clients at the same time. This process is referred to as aggregating orders, batch trading, or block trading. When aggregating client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution or to avoid differences in various transaction costs than might be obtained when orders are placed separately. Under this procedure, transactions will be averaged as to price and will be allocated among the IAR's clients in proportion to the purchase and sale orders placed for each client account on any given day.

VSR does not permit its IARs to receive any additional compensation or remuneration as a result of aggregation. See the Participation in Client Transactions section of Item 11 for a description of VSR's policies regarding trade aggregation with affiliated accounts.

Best Execution

VSR owes a fiduciary duty to its clients to obtain best execution of their transactions. That duty puts forth that an Investment Adviser generally must execute securities transactions in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances. However, clients should understand that best execution does not necessarily mean receiving the lowest available price. Trades are periodically reviewed in order to evaluate the execution services provided by the clearing firms and/or the unaffiliated broker/dealers and custodians used by VSR.

Clients should consider that based on the clearing firms and/or custodians approved that clients may pay higher commissions or trade execution charges through the clearing firms and/or custodians than

through other broker/dealers and/or custodians.

When an account is being managed by a third-party adviser, VSR is not able to change the costs of execution charged by the custodian that holds the account or the quality of the execution services provided by the clearing firm used. Clients must address concerns or questions regarding the costs or quality of execution services to the clearing firm which holds the account, or the third-party adviser who manages the account.

Trade Errors

On infrequent occasions, an error may be made in a client's account. For example, a security may be erroneously purchased for a client account instead of sold. In these situations, VSR generally seeks to correct the error by placing the client account in a similar position as it would have been had there been no error.

Depending on the circumstances, corrective steps may be taken, including but not limited to, cancelling the trade, adjusting an allocation, and/or crediting the customer's account. In the event the trading error results in an erroneous profit, the erroneous profit is not allocated to the client, but retained by VSR.

Agency Cross & Principal Transactions

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the investment advisory customer and for another person on the other side of the transaction (SEC Rule 206(3)-2). Agency cross transactions typically may arise where an investment adviser is dually registered as a broker/dealer or has an affiliated broker/dealer. It is VSR's policy not to engage in agency cross transactions with investment advisory customers.

A principal transaction is defined as a transaction where an adviser, acting as principal for its own account or the account of an affiliated broker/dealer buys from or sells any security to any investment advisory customer. VSR may execute riskless principal transactions with investment advisory customers meaning that VSR purchases the security from another broker/dealer into its principal trading account while simultaneously selling the security to the customer.

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

Unaffiliated Third Party Custodians

VSR may recommend or require that clients establish investment advisory accounts with unaffiliated third party custodians and/or broker-dealers ("Custodians"), including but not limited to Charles Schwab & Co., Inc., TD Ameritrade, First Clearing Corporation, Pershing, LLC and FolioFN to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with any Custodian is at the discretion of the client, including those accounts covered under ERISA or Internal Revenue Service ("IRS") rules governing Individual Retirement Accounts ("IRAs"). Custodians provide VSR with access to its institutional trading and custody services, which are typically not available to retail commission brokerage clients.

Custodians VSR has agreements with offer brokerage services, execution, custody, research, analyses and reports, and access to mutual funds and other investments that otherwise generally available would only be made available to institutional investors.

For VSR client accounts, the Custodians generally do not charge separately for their custody services, but they are compensated by account owners through commissions and/or or other transaction-related or asset-based fees for securities trades that are executed through the Custodian.

Custodians may also make available to VSR other products and services that benefit VSR, but may not benefit the client. These benefits may include national, regional or VSR specific educational events organized and/or sponsored by the Custodians. Other potential benefits may include occasional business entertainment of personnel of VSR by the Custodians, including meals, invitations to sporting events, and other forms of entertainment, some of which may accompany educational opportunities.

Additional products and services offered through Custodians assist VSR in managing and administering its clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of VSR's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of VSR's accounts, including accounts not maintained at Custodians. Custodians also make available to VSR other services intended to help VSR manage and further develop its business. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, insurance, and marketing. In addition, Custodians may make available, arrange and/or pay vendors for these types of services rendered to VSR by independent third parties.

Custodians may also discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to VSR. As a fiduciary, VSR endeavors to act in its clients' best interests. VSR's recommendation or requirement that clients maintain their assets in accounts at Custodians may be based in part on the benefit to VSR of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by the Custodians. Offering these additional services through Custodians may create a potential conflict of interest to VSR's clients.

Item 13 – Review of Accounts

Account Reviews

IARs are responsible for providing investment advice and conducting reviews on their client accounts on a regular basis. Reviews are generally done on a quarterly basis, and are designed to ensure that the investments and investment strategy employed remains consistent with the client's investment objectives and financial situation as provided by the client.

Account Statements

Unless noted otherwise in the Investment Advisory Agreement, statements of the client's account will be sent by the Custodian that holds the client's account at such times as is provided in the client's account agreement with such Custodian. Statements are sent usually no less than quarterly unless there is activity in the client's account, in which case they will be sent monthly by the Custodian. Clients who have engaged a third-party adviser will receive reports from the third-party adviser as outlined in the client agreement and disclosure documents. Clients should carefully review these reports and

contact the custodian or their IAR if they have any questions.

VSR or the IAR may provide other reports, including performance reports to the client. Clients should be aware that only the statements received from the Custodian should be relied upon for any balance or securities positions.

Item 14 – Client Referrals and Other Compensation

Client Referrals

VSR and its IARs may act as solicitors for various third-party investment advisers who compensate VSR and the IAR soliciting a prospective client to the third-party investment adviser. Each solicitation arrangement is documented and a solicitor's disclosure statement is provided to the client.

VSR and its IARs may offer investment advisory services on the premises of unaffiliated financial institutions, such as banks or credit unions. VSR has entered into agreements with the financial institutions whereby VSR may share compensation, including a portion of the investment advisory fee, with the financial institution for the use of the financial institution's facilities and for client referrals.

Other Compensation

IARs may solicit, offer and sell securities and/or insurance products to any client for commissions in their separate capacities as Registered Representatives and insurance agents. This could represent a potential conflict of interest since VSR and the IAR could receive fees and/or commissions if the client chooses to implement the recommendations of the IAR in his or her separate capacity as a Registered Representative and insurance agent. Clients are under no obligation to implement any recommendation through VSR or the IAR and are free to choose any broker/dealer or insurance company they wish to implement the recommendations.

Certain third-party investment advisers, product sponsors or brokerage and/or Custodians may provide VSR or the IAR with economic benefits as a result of the client's purchase of investments or insurance products, including sponsorship of meetings, marketing support, an occasional dinner or ticket to a sporting event, incentive awards, and payment of travel expenses.

These arrangements may represent a conflict of interest since they may affect the independent judgment of VSR or the IAR in the recommendation of one third-party investment adviser, product sponsor or Custodian over another. However, VSR and the IAR are obligated to act in the best interest of the client when recommending any particular third-party investment adviser or service.

Item 15 – Custody

Under the Investment Advisers Act, an Adviser is deemed to have custody of clients' assets if the client authorizes the Adviser to deduct investment advisory fees or other expenses directly from the client's account. Since the terms of the Investment Advisory Agreement permit VSR to deduct investment advisory fees or the expenses directly from clients' accounts, VSR is deemed to have custody of clients' assets. However, VSR and its IARs do not accept cash or hold clients' physical securities certificates and VSR does not hold funds and has no authority to obtain possession of funds either directly or indirectly for any of its clients.

Payment for the purchase of securities or to fund an account always must be made payable directly to the Custodian of the account only. The Custodian for a VSR client account will never be VSR or its IAR. Clients should be aware that IARs may not accept a check or any other form of payment for any VSR

related fee or service made payable directly to the IAR (or any business owned or controlled by the IAR).

Item 16 – Investment Discretion

VSR and its IARs may execute securities transactions on a discretionary basis. Prior to executing any discretionary transactions, we will obtain written consent from the client to execute transactions in this manner. Written consent will be obtained as part of the investment advisory agreement executed by the client. If written discretionary authority is not obtained, no transactions will be executed in a client's account without obtaining specific client consent regarding the securities to be purchased or sold.

Within the Managed Asset Planning Program (“MAP”) the client may authorize the IAR to have discretion over the account. This gives the IAR the authority to determine which investments to be purchased or sold and the time and the price at which they will be purchased or sold. However, the IAR will never have the authority to withdraw funds from the account or change the address of record of the account.

VSR may establish relationships with various third-party investment advisers. These third-party advisers may require that they have investment discretion over your account. The terms of the relationship between the client and the third-party adviser will be described in the third-party adviser's disclosure document and agreement with the client. The third-party money manager will not have the authority to change the address of record of the account or to withdraw funds from the account, other than to pay the agreed upon investment advisory fees.

Item 17 – Voting Client Securities

VSR does not vote proxies on behalf of its clients. It is the responsibility of the client to vote all proxies for securities held in the investment advisory management account. All proxy materials received by VSR on behalf of a client will be sent directly to the client or a representative that has been previously designated by the client to be responsible for voting proxies. IARs may answer customer questions regarding proxy voting materials in an effort to assist the client in determining how to vote the proxy; however, the final decision of how to vote the proxy is the responsibility of the client.

Third-party investment advisers may have their own policies regarding proxy voting. Clients are advised to review the policies of their third-party adviser to determine their proxy voting policy.

Item 18 – Financial Information

This item is not applicable to VSR's Disclosure Brochure. VSR does not require or solicit prepayment of more than \$1,200 in investment advisory fees per client, six months or more in advance. Therefore, VSR is not required to include a balance sheet for its most recent fiscal year. VSR is not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients, nor has VSR been the subject of a bankruptcy petition at any time.