

Form ADV Part 2A Brochure

VSR Advisory Services

A Division of VSR Financial Services, Inc.

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September 30, 2012

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

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

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

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules.

Pursuant to the new SEC rule, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business financial year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Alissa Nest at 800-800-3177.

Additional information about VSR Advisory Services is also available via the SEC’s website, www.adviserinfo.sec.gov. The SEC’s website also provides information about any persons affiliated with VSR Advisory Services who are registered, or are required to be registered, as investment adviser representatives of VSR Advisory Services.

This summary of material changes identifies, and briefly discusses, the changes to VSR Advisory Services’ Form ADV 2A Brochure since its last update on April 1, 2012. To see all changes since the last update, please review the entire brochure.

Item 4 (Advisory Business)

We have updated this Item to reflect the current value of assets under management. We have also added additional language regarding retirement plan services and our wrap fee program.

Item 12 (Brokerage Practices)

We have updated this Item to add additional information regarding our trade aggregation and trade error policies.

Item 15 (Custody)

We have updated this Item to add language reminding clients that payment for fees, securities or any other items cannot be made payable to a Advisory Representative, their staff members, or entities owned by the Advisory Representative.

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Item 4 – Advisory Business

Description and History of VSR Advisory Services

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

VSR Financial Services, Inc. is wholly owned by its parent company VSR Group, Inc. VSR Group Inc. may enter into transactions on behalf of VSR Financial Services, Inc. with respect to office space or equipment leases. All expenses associated with these transactions are paid by VSR Financial Services, Inc.

In this document we usually refer to our investment advisory operations under the name "VSR Advisory Services" or as "we," "us," or "our." We refer to our securities brokerage operations under the name "VSR," even though these are merely trade names for the same corporation. VSR was founded on March 1, 1985. VSR began its advisory operations in January 2003.

VSR is an independent Broker/Dealer and Registered Investment Adviser. This means we do not sell any proprietary investment products, nor do we have a committee or group that determines what investment advice or investment strategies should be recommended to clients.

Nearly all of VSR's Registered Representatives are dually registered as brokers and Investment Adviser Representatives (Advisory Representatives). This means they may sell investment products which pay a commission and they also may manage money or recommend third-party advisers who manage money for a fee.

In this document we refer to our Registered Representatives who perform advisory services as Advisory Representatives.

Types of Services Offered

Advisory Representatives may offer advice on a variety of investment products, including stocks, bonds, mutual funds, exchange traded funds (ETFs), structured products, managed futures products and direct participation programs, among others. Depending on the type of investment, the recommendation may be made for a brokerage account (which charges a commission) or a managed account (which charges a fee). See Item 5 (Fees and Compensation) for additional information on commissions and fees.

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

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

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

Financial Planning

The financial planning services provided by the Advisory Representative may involve a number of different services, depending upon the needs and desires of the client. Not all Advisory Representatives offer financial planning services, or offer the same types of financial planning services. The services that may be offered through the Advisory Representative include, but are not limited to, financial consultation

services, portfolio reviews, retirement projections, asset allocation advice, estate tax projections, survivor income projections, education funding, insurance reviews, and disability income analysis. Advisory Representatives may offer additional services to particular clients. The client may include their other advisors, such as attorneys or accountants, in meetings with the Advisory Representative if they wish.

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

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

Investment Supervisory/Investment Management Services

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

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

The Managed Asset Planning Program

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

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

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

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

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

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

Third-Party Advisers

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

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

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

While neither VSR Advisory Services nor the Advisory Representative will supervise or be responsible for the actions or advice provided by any third-party investment advisers, we do review their investment performance periodically and the Advisory Representative will review their performance with the client. VSR Advisory Services does not represent that third-party advisers will provide the highest performance or the lowest cost in providing their services.

Retirement Plan Advisory and Consulting Services

Some Advisory Representatives may provide investment advisory services to retirement plans, which may consist of services offered through VSR Advisory Services, a third party manager or through general consulting services. The Advisory Representative and Plan Sponsor will outline the services provided and the fees to be charged through the VSR Retirement Plan Disclosure document.

Tailored Relationships

The Advisory Representative determines the general investment advice to be provided to his clients. The advice given is based on information provided by the client, and will take in to consideration the client’s investment objectives, time horizon, risk tolerance, liquidity needs, and any other factors relevant to the

client. The client may impose reasonable investment restrictions on certain securities, industries or sectors.

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

Wrap Fee Programs

Certain Advisory Services Representatives may offer a wrap fee program, as may some of the third-party managers referred to previously. A wrap fee program is a program under which a client is charged a specified fee or fees that is not based directly on transactions in a client's account for investment advisory services, such as portfolio management or advice concerning the selection of other advisers, and execution of client transactions. Under our traditional management programs, there are two separate types of fees. We charge a management fee for our advisory services, and another fee ("ticket charge") is charged for each transaction (i.e., buy/sell/exchange).

If a client wishes to use a wrap fee program they will receive the necessary disclosures and account paperwork to open and maintain the account.

Assets Managed

As of June 30, 2012, VSR managed approximately \$1.2 billion on a discretionary basis and approximately \$1.5 billion on a non-discretionary basis.

Item 5 – Fees and Compensation

Description of Fees & Compensation

We base our management fees on a percentage of assets under management. The initial assets under management are determined from the amount indicated on the investment advisory agreement when the agreement is signed. Financial planning fees are typically charged on either a flat fee or hourly basis. VSR and the Advisory Representative share the fees. Additional information on how fees are charged is described below.

Financial Planning

The fees for financial planning services are negotiable. Each Advisory Representative is authorized to negotiate and set their own fee (within the parameters set forth below) for the particular services requested by a client, depending on the nature, complexity and time involved in providing the services, as well as the nature of the client and the amount of business transacted with the Advisory Representative. Fees for financial planning services may be charged in the following manner:

Hourly Fees - Advisory Representatives may charge an hourly fee for financial planning services. The amount of the hourly fee is set by each Advisory Representative and is described in the financial planning contract with the client. The minimum charge is \$75 per hour and the maximum charge is \$350 per hour.

Fixed Fees - Advisory Representatives may charge a fixed fee for particular financial planning services. The total fee will be determined based upon the nature of the services and the particular Advisory Representative who provides the service. While there is no minimum or maximum fixed fee for financial planning services, the fee charged will be reasonable based on the client's situation and the level of service requested.

The hourly or fixed fees are in addition to any commissions that may be earned by VSR and the Advisory Representative in their capacity as a Registered Representative as a result of the client implementing any recommendations made by the Advisory Representative. Generally, financial planning fees are payable upon completion of the financial planning services. However, the Advisory Representative may require

advance payment of up to 50% of the estimated total cost of the services. Clients should understand that their financial planning or hourly consulting fee client may be higher than the fees charged by other investment advisors for similar services. Clients should consider the level and complexity of the planning services to be provided when negotiating the fee with their Advisory Representative.

The agreement for financial planning services may be terminated at any time by providing written notice to the appropriate parties. Services will be terminated upon receipt of such notice without penalty.

However, the client will be charged for services rendered through the date of termination. Within 30 days after the date VSR Advisory Services receives client's notice of termination, we will refund a pro rata amount of any prepaid fees to the client.

Advisory Services

The Managed Asset Planning Program

Fees for investment supervisory and investment management services are negotiable and are based on a percentage of assets under management, unless the client is charged a performance-based fee as described in Item 6. VSR does not set fees for the Advisory Representative. Each Advisory Representative is authorized to set the fees for his clients; however base advisory fees may not exceed 3% of the assets under management. The fees charged and the manner in which they will be calculated will be disclosed in the client agreement. The fees for investment supervisory and management services will be in addition to any commissions, transactions fees, 12b-1 fees or other charges resulting from transactions in the account.

VSR will generally bill its fees on a quarterly basis. Except for the first calendar quarter in which the managed account is open, the advisory fee is paid in advance, and is due and payable on the first day of each calendar quarter. Clients may elect to be billed directly for fees or authorize VSR to directly debit fees from client accounts. The specific terms of how the managed account will be billed and how fees will be calculated will be specified in the client agreement.

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

Clients are urged to review the client agreement thoroughly before signing to be sure they understand the terms and fees of the agreement.

Third-party Investment Advisers and Wrap Fee Programs

Clients pay an advisory fee as set out in the client agreement with the Sponsor of the third-party management or wrap fee program. The Sponsor may establish a fee schedule or set a minimum or maximum fee. The fee schedule will be set out in the client agreement provided by the Sponsor. The advisory fee typically is based on the value of assets under management as valued by the custodian of the assets for the account and will vary by Sponsor. The advisory fee typically will be deducted from the account by the custodian and paid quarterly either in arrears or in advance, depending on the Sponsor. The advisory fee is often paid to VSR. VSR and the Advisory Representative share a portion of the advisory fee. An account managed by a Sponsor may be terminated pursuant to the terms outlined in the client agreement. The client agreement will explain how clients can obtain a refund of any pre-paid fee if the agreement is terminated before the end of a billing period.

There are other fees and charges imposed by third parties that may apply to investments in third-party managed accounts. The client may be charged commissions, markups, markdowns, or transaction charges by the broker/dealer who executes transactions in the account. There may be custodial fees imposed by the custodian of assets for the program account. These additional fees and charges will be set out in the client agreement executed by the client when the account is opened.

If a client has elected to use a third-party adviser or wrap fee program they are urged to review the client agreement and disclosure documents thoroughly before signing to be sure they understand the program.

ERISA Accounts

To avoid engaging in prohibited transactions, VSR may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset advisory fees.

Other Fees and Expenses

We may charge clients an Account Activation Fee for Representatives' services in setting up, opening, and activating the managed account. Unless otherwise directed by the client in writing, the Account Activation Fee will be paid from the 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. The amount of the Account Activation Fee shall not exceed one-half percent of the value of such assets in the managed account.

VSR's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment and other third parties such as fees charged by 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 and internal management fees, which are disclosed in a fund's prospectus.

Prepaid Fees

Other than the first calendar quarter when an account is opened, investment management fees are billed quarterly, in advance, meaning that we may deduct the fee before the three-month billing period has begun. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

For the calendar quarter in which an advisory agreement is terminated, the fee will be prorated based upon the number of days that services are provided, and you will receive a refund of any remaining balance of prepaid fees. Upon termination of an agreement, you will be charged VSR's, any clearing broker's, and the Custodian's usual commissions and transaction fees for transactions in and services provided with respect to your account.

As noted previously, fees for financial plans may be billed 50% in advance, with the balance due upon delivery of the financial plan. The agreement for financial planning services may be terminated at any time, without penalty, by providing written notice to the appropriate parties. However, the client will be charged for services rendered through the date of termination. Within 30 days after the date VSR Advisory Services receives client's notice of termination, a pro rata amount of any prepaid fees will be refunded to the client.

Other Compensation

In most cases, third-party advisers agree to pay some form of compensation or direct economic benefit to us. Such economic benefits may include solicitation fees, marketing support, sponsorship of various meetings and functions, and directed brokerage transactions, among others. Compensation arrangements will differ among approved adviser programs. These arrangements may represent a conflict of interest since they may affect the independent judgment of VSR Advisory Services or the Advisory Representatives in the recommendation of one adviser program over another. However, the best

interests of the client will be of utmost importance to all Advisory Representatives in recommending any particular third-party adviser or service.

VSR and the Advisory Representative shall receive commissions from the execution of securities transactions, unless specified otherwise in the advisory agreement. The fact that VSR, VSR Advisory Services or the Advisory Representative may receive in certain circumstances commissions, fees, or other economic benefits as a result of the client's execution of securities and insurance transactions recommended by the Advisory Representative creates a potential conflict of interest. The Advisory Representative's recommendation of any particular security, advisory, or insurance product or service is required to be based upon his evaluation of the best interests of the client.

Clients who invest in mutual funds or other registered investment companies are advised that such funds pay investment advisory or management fees to investment advisers and others, and pay marketing or service fees (including without limitation so-called "12b-1 fees") to broker/dealers (including, in some cases, VSR) who provide services to or for the fund or its shareholders. These fees constitute indirect expenses ultimately borne by the client, and are in addition to the investment advisory fees paid to VSR Advisory Services pursuant to the client's advisory agreement with us.

Our Advisory Representatives may sell securities to any client for commissions in their separate capacities as Registered Representatives. This situation could represent a potential conflict of interest since VSR and the Representative could receive fees and commissions if the client chooses to implement the recommendations of the Advisory Representative through him in his separate capacity as a Registered Representative.

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

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

Advisory Representatives may agree that the advisory fee paid by the client may be reduced by a portion of the commissions earned by the Advisory Representative from the client's implementation, within certain time periods, of securities (but not insurance) transactions recommended by the Advisory Representative. Advisory Representatives are not obligated to enter into any such agreement with any client. Any such reduction will involve only that portion of the bonafide advisory fee payable to us, and will not involve any reduction or rebate of commissions earned on securities sold by prospectus (such as mutual funds or IPO's). Any such agreement must be made in writing between us and the client.

Advisory Fees in General

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

You should consider the value of these advisory services when making such comparisons. The combination of custodial, advisory and brokerage services may not be available separately or may require multiple accounts, documentation, and fees. You should also consider the amount of anticipated trading

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

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

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

Performance Fees

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

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

Clients who agree to pay a performance-based fee may pay total fees greater than 3% annually.

Side by Side Management

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

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

Item 7 – Types of Clients

Type of Client

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

Account Minimums

VSR does not impose a minimum dollar value of assets or quotas (other than general sales minimums) on its Advisory Representatives.

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

Some third-party advisers may decline to provide services to clients whose assets are less than a certain size set by the adviser, or whose account value falls below certain limits set by them.

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

Methods of Analysis and Investment Strategies

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

Security analysis methods used by the Advisory Representative may include charting, fundamental analysis, technical analysis, and cyclical analysis among others. The Advisory Representatives may utilize due diligence, marketing information, or other product information provided by VSR, third-party money managers or program sponsors to evaluate specific investments. Other sources of information may include reviews of annual reports and prospectuses, information from financial publications, independent research services, and corporate press releases. All Advisory Representatives are required to have access to independent third-party information to assist them in the selection of investment advice and strategies.

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

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

Risks

All investments and investment strategies involve various risks, and there is no guarantee that any investment or investment strategy will meet its objective. The Advisory Representative will keep in mind the clients investment objectives, risk tolerance, time horizon and other pertinent information when recommending an investment or investment strategy.

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

Item 9 – Disciplinary Information

Legal and Disciplinary Events

On June 24, 2005, the National Association of Securities Dealers (NASD) approved a settlement of the NASD's investigation into whether VSR failed to properly supervise trading activity in its customers' brokerage accounts. The investigation arose as a result of an active trading strategy used by a former Representative, although VSR received no complaint from the client involved. All of the alleged active trading occurred in brokerage accounts and no investment advisory client accounts were involved.

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

On December 12, 2006, the NASD accepted a settlement related to its investigation into whether a 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 from association with any NASD member in a principal or supervisory capacity for 15 business days. The suspension was effective from January 2, 2007 through January 23, 2007.

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

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

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

Item 10 – Other Financial Industry Activities and Affiliations

Financial Industry Affiliations

VSR Financial Services Inc. is a securities broker/dealer registered with the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC). All of our Advisory Representatives are also Registered Representatives of VSR Financial Services Inc. As Registered Representatives they may sell a variety of investment products for a commission.

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

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

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

Other Business Activities

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

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 Representatives have a fiduciary duty to all advisory clients. To assist our employees and Representatives in meeting these obligations, VSR has adopted standards of business conduct that are outlined in our Code of Ethics. VSR requires all of its supervised persons to conduct business with integrity and to comply with all federal and state securities laws at all times.

Participation or Interest in Client Transactions

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

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with VSR's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. VSR will retain records of the trade order (specifying each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order. 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 Advisory Representatives of VSR and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for VSR's clients. The Code of Ethics is designed to assure that the personal securities transactions of the employees and Advisory Representatives of VSR will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

VSR, VSR Advisory Services, and the Advisory Representatives may or may not maintain investment positions in their personal portfolios that are recommended to clients. In fact, VSR, VSR Advisory

Services, and the Advisory Representatives may take positions or execute transactions for their personal accounts which are materially different than the positions or transactions recommended for their clients.

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

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 by a client in a security held by an employee. Trading activity of Advisory Representatives and employees is monitored under the Code of Ethics to reasonably prevent conflicts of interest between VSR and its clients.

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

Item 12 – Brokerage Practices

Research and Other Soft Dollar Benefits

The custodians used by VSR may make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us and the Advisory Representative 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 us manage and further develop our business enterprise. These services include publications, educational conferences and events, and consulting on technology, compliance, legal, and other business needs. The availability of these services from our custodians benefits us because we do not have to produce or purchase them.

Client Referrals

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

Directed Brokerage

The Custodian and Brokers We Use

VSR does not maintain custody of client assets, although we may be deemed to have custody if we have authority to withdraw assets from client accounts to pay management fees or if we accept stock or bond certificates from a client for forwarding to our clearing firm.

Your assets will be maintained in an account at a "qualified custodian," generally a broker/dealer or bank. We generally recommend that our clients use First Clearing Corporation or Pershing, both of which are broker/dealers registered with FINRA and the SEC, and are members of SIPC, as the qualified custodian. VSR is independently owned and operated and is not affiliated with any of these custodians. The custodians will hold your assets and buy and sell securities when instructed to do so. You will decide which brokerage firm to use and enter into an account agreement directly with that firm.

If you use a third-party money manager, they may have arrangements with a different custodian. The client agreement for that manager will disclose the custodial arrangements.

How We Select Brokers/Custodians

When recommending a custodian we consider a wide range of factors, including among others their quality of service, competitiveness of the price of their services, and their reputation, financial strength, and stability.

Your Brokerage and Custody Costs

For our clients' accounts maintained at these custodians they will not generally charge you separately for custody services but are compensated by charging you commissions or other fees on trades that they execute or that settle into your account. These fees are in addition to the commissions or other compensation you pay the executing broker/dealer.

In no event shall VSR Advisory Services or the Advisory Representative have the discretion, without obtaining specific client consent, to determine the broker/dealer to be used or the commission rates to be paid. However, the Advisory Representatives will usually recommend that the client use the brokerage services of VSR and one of our primary clearing firms noted previously.

Neither VSR Advisory Services nor the Advisory Representative negotiates commission rates with our clearing firms. Clients will pay the usual commission rates charged by the designated broker/dealer, unless discounted by the Advisory Representative (in his capacity as a VSR Registered Representative). The decision to discount the commissions on any particular transaction will be made on a case by case basis by the Advisory Representative, unless agreed otherwise in the advisory agreement. Insurance transactions may be executed through agencies or companies not affiliated with VSR, and will be at the commission rates set by such agencies or companies.

VSR Advisory Services, the Advisory Representative, and VSR 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, prevailing commissions rates in the brokerage or insurance industries. 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.

Neither VSR Advisory Services nor the Advisory Representative shall attempt to locate firms that have lower clearing costs. Clients may not direct VSR to use a different clearing firm.

Trade Aggregation

Transactions implemented for client accounts are generally effected independently, unless an Advisory Representative decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and it is done when the Advisory Representative believes such action may prove advantageous to clients. 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 independently. Under this procedure, transactions will be averaged as to price and will be allocated among the Advisory Representative's clients in proportion to the purchase and sale orders placed for each client account on any given day.

VSR does not allow its Advisory Representatives 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

Although we do not negotiate commission rates, VSR periodically evaluates the costs and quality of order execution by our clearing firms. To the extent required by law, we endeavor to ensure the firms which

clear transactions for clients' accounts satisfy their obligations of "best execution" under the particular circumstances. Although our efforts to obtain "best execution" does not ensure that a client will always receive the best price or lowest transaction costs for any particular transaction, we believe our on-going evaluation of the quality and costs of execution will contribute to the overall economic benefit of our clients.

When an account is being managed by a third-party adviser, VSR Advisory Services is not able to change, and often is not able to monitor, 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 clients account. For example, a security may be erroneously purchased for a client account instead of sold. In these situations, VSR generally seeks to rectify the error by placing the client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including but not limited to, cancelling the trade, adjusting an allocation, and/or reimbursing the account. In the event the trading error results in an erroneous profit, the profit will not be allocated to the client as VSR would retain the profit.

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 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 adviser is dually registered as a broker/dealer or has an affiliated broker/dealer.

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

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

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.

Item 13 – Review of Accounts

Account Reviews

Managed Accounts

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

Financial Plans

VSR Advisory Services does not review each written financial plan an Advisory Representative prepares for his clients, except to the extent they may be reviewed during a routine compliance examination. Often,

the plans contain recommendations and proposals which are never effected by the clients, or involve projections and analysis which are not within the scope of investment advisory activities under the Advisers Act.

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

Other Reviews

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

Reports

Unless noted otherwise in the client agreement, reports will be sent to the client by the custodian that holds the client's account, at such times as is provided in the client's account agreement with such custodian. Clients who have engaged a third-party adviser will receive reports from the adviser as outlined in the client agreement and disclosure documents. Clients should carefully review these reports and contact the custodian or their Advisory Representative if they have any questions.

VSR Advisory Services or the Advisory Representative may provide other reports to the client. Clients should carefully review these reports and compare them to the reports received from the custodian.

Some clearing firms or third party money managers used by VSR to effect transactions in client accounts may have the ability to suppress receipt of individual trade confirmations.

Item 14 – Client Referrals and Other Compensation

Client Referrals

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

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

Other Compensation

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

Certain product sponsors may provide VSR or the Advisory Representative with economic benefits as a result of the client's investments, including sponsorship of meetings, marketing support, an occasional dinner or ticket to a sporting event, incentive awards, payment of travel expenses, and direction of brokerage transactions to VSR.

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

Item 15 – Custody

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct the custodian of your assets to deduct our advisory fees directly from your account. We may also be deemed to have custody if we accept stock or bond certificates from a client for forwarding to our clearing firm. It should be noted that VSR does not keep or control any client assets or investments.

You will receive account statements directly from the custodian who holds your investments at least quarterly. They will be sent to the email or postal mailing address you provided to the custodian. You should carefully review those statements promptly when you receive them.

We urge you to compare the custodian's account statements to any reports you may receive from us or the Advisory Representative. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Please note that payment for fees, securities or any other items cannot be made payable to a VSR Advisory Representative, their staff members or entities owned by the Advisory Representative. Payment for the purchase of securities or for funding an account must be made payable to the account's qualified custodian. The qualified custodian for a VSR client account will never be VSR or the Advisory Representative.

Item 16 – Investment Discretion

VSR Advisory Services and its Advisory Representatives 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 advisory agreement executed by the client and us. If written discretionary authority is not obtained, no transactions will be implemented by us in a client's account without obtaining specific client consent regarding the securities to be bought or sold.

Within the Managed Asset Planning Program the client may authorize the Advisory Representative to have discretion over the account. This gives the Advisory Representative the authority to determine which investments to be bought or sold and the time and the price at which they may be bought or sold. The Advisory Representative will not have the authority to withdraw funds from the account or change the address of record of the account.

VSR Advisory Services 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 withdraw funds from the account or change the address of record of the account.

Item 17 – Voting Client Securities

VSR Advisory Services 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 managed account. All proxy materials received by us on behalf of a client will be sent directly to the client or a representative that has been previously designated by the client to be responsible for voting proxies. Advisory Representatives may answer customer questions

regarding proxy voting materials in an effort to assist the client in determining how to vote the proxy, however, the final decision of how to vote the proxy rests with the client.

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 our Disclosure Brochure. We do not require or solicit prepayment of more than \$1,200 in 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 have we been the subject of a bankruptcy petition at any time.