



# Gallagher Flynn Financial Advisors, LLC

REGISTERED INVESTMENT ADVISORS

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Item 1 – Cover Page

*This brochure provides information about the qualifications and business practices of Gallagher Flynn Financial Advisors, LLC, as required by Part 2A of Form ADV. Form ADV is the form we file to register and be licensed to do business as investment advisers and comply with federal and/or state securities laws. The information presented is responsive according to the sequential “Items” of the form. If you have any questions about the contents of this brochure, please contact us at (802) 863-1331. The information in this*

***brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.***

***Additional information about Gallagher Flynn Financial Advisors, LLC also is available through the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select "investment adviser firm" and type in our firm name). Through this link you will be able to obtain our entire Form ADV.***

***We are registered with the SEC. Our federal registration does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information that you should use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue using our services.***

## Item 2 – Material Changes

If you have been a client in the past, you have been provided a copy of what was called Part II of Form ADV ("Old Part II"). Instead of providing that to you, new rules require us to provide you with this new "Brochure" which contains much of the same information contained in the Old Part II, but it is now in a plain English format and hopefully easier to read and understand. It also contains some additional disclosures not specifically required by the Old Part II but required by the new rules. As a result, this entire "Brochure" should be considered "materially new" to existing clients, although you will recognize most of the disclosures as similar or identical to what you have read in the past. In future versions of the Brochure, this section of the Brochure will address only those "material changes" that have been incorporated since our last amendment. We may, at any time, update this Brochure, and if we do, we will either send you a copy or offer to send you a copy (either by electronic means such as email, or in hard copy form). If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, James L. Donohue, at (802) 651-7250.

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## Item 4 – Advisory Business

### **Overview of Gallagher Flynn Financial Advisors, LLC:**

Our investment advisor representatives (“IARs” or “advisory representatives”) are also licensed as registered representatives with Securities America, Inc. (SAI), a full service broker/dealer and member FINRA/SIPC. They may also be independently licensed as insurance agents with various insurance companies.

We are based in South Burlington, Vermont. We have been providing the advisory services described below since 1998. Our principal owner is Gallagher Flynn & Company, LLP.

As of January 1, 2011, we manage client assets on a discretionary basis in an amount equal to approximately \$48,999,000.00 and client assets on a non-discretionary basis in an amount equal to approximately \$763,000.00.

### **Introduction:**

#### ***What is GFFA?***

Gallagher Flynn Financial Services, LLC (GFFA, we, our, us), is a registered investment advisory firm and subsidiary of Gallagher, Flynn & Company, LLP. GFFA and its insurance subsidiary (GFI) integrate institutional quality investment management, insurance solutions and creative income, estate and financial planning.

#### ***What is the depth of services provided by GFFA?***

Through its relationship with Dimensional Fund Advisors (DFA), and drawing on other institutional resources, such as Securities America, Schwab, and NFS/Fidelity, we develop customized investment strategies for high net worth individuals, charitable organizations, trusts and closely-held businesses. Our independence allows us the ability to utilize a variety of investment approaches including institutional funds and other mutual funds, ETFs and separate account managers.

Our insurance resources provide us with access to multiple insurance companies and allow us to help our clients obtain the right solution given their unique goals and health circumstances. We believe in the importance of controlled asset class exposure, broad diversification, low costs and emphasis on after-tax, risk adjusted returns.

#### ***What unique benefit can GFFA provide to you?***

We will listen to you and understand your concerns. We can simplify and coordinate all your financial services under one roof – tax/college/retirement/investment/insurance/estate planning. GFFA’s access to DFA and other top institutional mutual funds, ETFs and separate account managers translate into more options and opportunities for our clients than may be generally available at the retail level.

### ***Why use GFFA versus other financial advisors?***

We are a regional, community-based firm positioned to provide top quality local service and value, with immediate availability and accessibility. You will have the assurance that qualified professionals are taking into account your entire financial picture and know that your financial plan has been designed and customized to meet your specific needs. Our independent in-depth research and advice are provided by advisors with breadth of knowledge evidenced by years of experience and training. This allows us to provide you with the best of both worlds: local availability and value with the depth of a national firm.

### **Advisory Services:**

GFFA's main service and goal is to provide sound, quality investment supervisory services. Approximately ninety percent of our business is derived from this service alone. This includes but is not limited to investment management, financial, estate, retirement and college planning. The other 10% of our business is comprised of furnishing advice to clients on financial matters that may not involve securities.

We offer a variety of financial planning and investment advisory services to our clients as described below. Depending on the program or options our clients have selected, the services may be provided on a discretionary basis or non-discretionary basis. GFFA also makes available a number of third-party investment programs that use managers whose investment style and expertise may be appropriate for the specific needs of certain clients. We work hard to fully explain the options available to our clients and advise them to carefully examine the various investment programs and underlying options available, particularly the fee structure. We are aware that services provided under some or all of the options may be available from other providers for lesser or higher fees.

## **ASSET MANAGEMENT SERVICES**

### ***GFFA Investment Management Programs***

GFFA and its advisory representatives offer discretionary investment management services, including giving continuous advice to clients based on their individual needs through accounts and separate account managers maintained at Charles Schwab & Company, Inc. ("Schwab"). Though we currently have client accounts managed and maintained through Securities America, Inc. (SAI) brokerage accounts held directly at National Financial Services (NFS) and linked to FundQuest Programs, we are no longer investing new monies on these platforms. Schwab or NFS maintain custody of all funds and securities and we will not have direct access to client funds and securities.

## **FINANCIAL PLANNING SERVICES**

### ***Written Financial Planning Services***

We also can offer advice in the form of a financial plan. Clients choosing this service will receive a detailed, written financial plan designed to help the client pursue their stated

financial goals and objectives. In general, the financial plan will address any or all of the following areas:

- **PERSONAL:** Family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** Income tax and spending analysis and planning for past, current and future years. We may illustrate the impact of various investments on a client's current income tax and future tax liability.
- **DEATH & DISABILITY:** Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- **RETIREMENT:** Analysis of current strategies and investment plans to help the client achieve his/her retirement goals.
- **INVESTMENTS:** Analysis of investment alternatives and their effect on a client's portfolio.

We typically gather required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes toward risk. Related documents supplied by the client are carefully reviewed, including a questionnaire completed by the client, and a written report is prepared. Normally, the financial plan will be presented to the client within 90 days of the contract date, provided that all information needed to prepare the financial plan has been promptly provided by the client.

Should a client choose to implement the recommendations contained in the financial plan, GFFA suggests the client work closely with his/her attorney, accountant, insurance agent and/or stockbroker. Implementation of the recommendations contained in the financial plan is entirely at the client's discretion. To the extent that GFFA or an affiliate offers accounting, insurance or investment-advisory services, a client is not obligated to use a GFFA affiliate to obtain such services. If the client chooses to use GFFA or an affiliate for any such services, GFFA or its affiliate could have a potential conflict of interest in evaluating product recommendations involving advisory services or products offered by GFFA.

### ***Issue Consulting***

More typically, our clients receive investment advice from GFFA on a more limited, generic basis. This may include advice on only an isolated area or areas of concern such as estate planning, retirement planning or any other specific topic. GFFA also offers specific consultation and administrative services regarding investment and financial concerns of the client. Additionally, we provide advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, insurance and/or annuity advice.

Financial plan/issue consulting recommendations are of a generic nature and do not generally involve the recommendation of specific investment products. Recommendations are not limited to any specific product or service offered by a broker/dealer or insurance company.

### ***Selection and Monitoring Services***

We offer several additional advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) Plans, we can also offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Selection and Monitoring Services are comprised of four distinct services. Clients may choose to use any or all of these services:

#### **Investment Policy Statement (IPS)/Investment Strategy Report (ISR) Preparation:**

We meet with the client (in person or over the telephone) to determine the client's investment needs and goals. We will then prepare a written IPS/ISR stating those needs and goals and describing a policy under which these goals might be pursued. The IPS/ISR will also list the criteria for selection of investment vehicles and the procedures and timing interval for monitoring of investment performance.

#### **Recommendation of Investment Vehicles:**

We will review various investments, consisting primarily of stocks, bonds and mutual funds (both index and actively managed) to determine which of these investments may be appropriate to implement the client's IPS/ISR. The number of investments to be recommended will be determined by the client, based on the IPS/ISR.

#### **Monitoring of Investment Performance:**

Client investments are monitored based on the procedures and timing intervals delineated in the IPS/ISR.

#### **Employee Communications:**

For pension, profit sharing and 401(k) Plan clients that have individual accounts with participants exercising control over assets in their own account, we may, at the request of the Plan trustees, conduct educational investment meetings designed for Plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). These meetings will NOT provide Plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

#### ***General Audience Seminars:***

On occasion we hold financial seminars. These seminars may include presentations on various securities and insurance products or on financial planning strategies. Fees, if any, will be determined on a seminar-by-seminar basis.

The general audience seminars are not intended to and will not address the individual investment needs of a particular client or particular member of the audience. Audience members should consult with their own financial, tax or legal advisers to determine an appropriate

personalized investment plan after considering, among other factors, the individual's investment objectives and overall financial condition.

## Item 5 – Fees and Compensation

Our investment strategies utilize primarily no-load mutual funds (both index and actively managed), as well as exchange-traded funds (ETFs) and, in some instances, individual stocks and bonds. On those occasions where it is in the client's best interest to invest in a fund or security with a front-load (commission), we waive those fees to our investment advisory clients at our discretion. As registered representatives, we could also receive compensation from mutual fund sales loads, 12(b)-1 distribution fees, variable annuity sales commissions or trail commissions. The 12(b)-1 distribution fees, sales charges and other fee arrangements will be disclosed upon the client's request and are typically described in the applicable fund and/or annuity prospectus, and in suitability/application forms required by our broker/dealer or under applicable SEC and/or state securities laws. In our separate capacities as registered representatives, our IARs can sell securities to any client for commissions. However, we do not sell any securities where we would receive a commission to a client with monies that we have already charged an advisory management fee. Any fees or other compensation received by the IARs in their separate capacities as registered representatives will be received to the extent permitted by applicable law.

Because of these compensation arrangements, a conflict of interest could exist in connection with the IARs recommending particular investments for a client's account. Clients have sole discretion whether to implement any or all of the IARs' recommendations. In addition, clients are free to select any broker/dealer they wish to implement recommendations and all efforts will be made to put the interests of the client first.

### **ASSET MANAGEMENT FEES**

#### ***Charles Schwab & Company***

Charges for investment management services conducted through Schwab are based on a percentage of the assets under management and will not exceed 1.75% annually. Many of our clients are charged 1.0% of their assets under management. The actual fee charged to each client is negotiable based on factors such as the client's financial situation and circumstances, the amount of assets under management and the time required to manage the account. The exact fee for our services will be discussed and agreed upon and be included in a written agreement for services prior to services being provided, with this contract being signed by the client and a GFFA representative.

Schwab account management fees are electronically deducted from client accounts quarterly, in advance. For example, quarterly fees for the first quarter of the year are deducted in January; second quarter fees are deducted in April, etc. Fees are based on the account's asset value as of the last business day of the prior quarter. Therefore, to calculate the amount of the first quarterly fee we use the account asset value as of December 31.

Our clients provide us with written authorization to have fees deducted directly from their account and paid to GFFA. Prior to any fees being deducted from the account, GFFA will



provide clients with a written fee notification. This fee notification will show the amount of fees for the quarter, the manner in which the fees were calculated, any adjustment to the fees and explanations of any adjustments. All of the management fee disbursements for a client's account are included in the quarterly portfolio statements sent to the client.

Brokerage commissions are waived for the Schwab accounts. However, transaction ticket charges (the actual cost of each trade, typically \$9 to \$99, plus exchange fees) are passed on to clients. All fees and charges are noted on client statements and confirmations. Clients may incur certain charges imposed by third parties other than GFFA in connection with investments made through the account, including, but not limited to, mutual funds sales loads, 12(b)-1 fees and surrender charges, variable annuity commissions and surrender charges, and IRA and Qualified Retirement Plan fees. Management fees charged by GFFA are separate and distinct from the fees and expenses charged by mutual funds and variable annuities that may be recommended to clients. A description of these third party fees and expenses are disclosed and available in each fund and annuity's prospectus.

Either party may terminate a Schwab account by providing written notice to the other party. Termination will be effective when the termination letter is received by the other party. If services are terminated within five business days of executing the agreement, services will be terminated without penalty and all pre-paid fees will be refunded to the client. If services are terminated after the initial five day period, any unearned fees will be prorated and refunded to the client.

### **FINANCIAL PLANNING FEES**

The fees for educational investment meetings can range from \$125 to \$295 per hour plus out-of-pocket and travel expenses. Fees will be negotiated and agreed to by the client and/or plan trustees.

Fees for financial planning, issue consulting and selection and monitoring services will be charged in one of two ways:

1. As a fixed fee, typically ranging from \$750-\$10,000, depending on the specific service requested and the nature and complexity of each client's circumstances. Up to 50% of this fee may be due upon signing the advisory services agreement, with the balance due upon completion of services. Under no circumstances do we require payment of more than \$500 more than six months in advance.
2. On an hourly basis, ranging from \$75-\$295 per hour, depending on the nature and complexity of each client's circumstances, as well as the individual performing the work. An estimate for total hours will be provided at the start of the advisory relationship. Up to 50% of the estimated fee may be due upon signing the advisory services agreement, with the balance (based on actual hours) due upon completion of services. Under no circumstances will we require payment of more than \$500 more than six months in advance.

Financial planning services automatically terminate upon presentation of the financial plan or completion of services. Either party may terminate services prior to the completion of

services by providing written notice to the other party. If services are terminated within five business days of executing the agreement for services, services will be terminated without a penalty fee. Any collected but unearned fees for those services will be promptly refunded to the client upon termination of the agreement for services.

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

We do not receive, directly or indirectly, any of these fees charged to you. They are paid to your broker or custodian or arise out of mutual fund or other investments you hold. The fees include:

- Exchange fees
- SEC fees
- Management fees and administrative fees charged by Mutual Funds and Exchange Traded Funds (ETFs) (also known as the “Expense Ratio”)
- Advisory fees charged by sub-advisers (if any are used for your account)
- Custodial fees
- Deferred sales charges (on Mutual Funds or annuities)
- Odd-Lot differentials
- Deferred sales charges (charged by Mutual Funds)
- Transfer taxes
- Wire transfer and electronic fund processing fees

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

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees). Our advisory fee compensation is charged only as disclosed above (Item 5).

### **Item 7 – Types of Clients**

We are proud to offer our services primarily to and for:

- Individuals and families, including high net worth individuals
- Pension and profit sharing plans
- Trusts, estates and charitable organizations
- Other business entities as appropriate

### **MINIMUM ACCOUNT BALANCES**

GFFA does provide investment supervisory and management account services and we may impose a minimum dollar value of assets or other financial conditions for starting and

maintaining an investment account. Generally, the minimum investment required for GFFA managed accounts is \$250,000. Exceptions to this minimum may be granted at our discretion.

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

### **Types of Investments:**

We offer investment advice on a variety of products and services. Some of the typical investment vehicles we utilize in our clients' portfolios may include:

- DFA and other mutual funds
- Equity securities including exchange-listed, over-the-counter and foreign issued securities (including ETFs)
- Municipal securities
- U.S. government securities
- Investment company securities including variable life insurance, variable annuities and mutual fund shares
- Options on securities
- Certificates of deposit
- Commercial paper
- Corporate debt securities (other than commercial paper)

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

Our investment strategies are based on Modern Portfolio Theory (MPT). GFFA's "core satellite" approach to asset-class investing utilizes a combination of passive and active investment vehicles custom designed to meet each client's goals and objectives.

We develop customized investment strategies for advisory clients through our relationship with Dimensional Fund Advisors ([www.dfaus.com](http://www.dfaus.com)) and by drawing on other institutional resources for research, such as SAI, Charles Schwab and NFS. We also utilize numerous informational resources such as financial newspapers, newsletters and magazines; research materials and white papers prepared by other experts in the industry; corporate rating services; annual reports, prospectuses and filings with the SEC; and company press releases.

Our independence allows us the ability to utilize a variety of investment approaches, including institutional funds, separate account managers, exchange traded funds (ETFs) and other mutual funds. GFFA may also use model mutual fund and variable annuity asset allocation portfolio programs, provided by a number of institutional investment managers and strategists, when managing client assets.

Our investment strategies are of a wide range including short and long term purchases (securities sold within a year to securities to be held for a longer term), short sales, margin transaction and options.

### **Risk of Loss:**

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities are not sold to “lock in” the profit). You should understand and be prepared to face losses and be able to bear them. If you cannot, then our services are probably not appropriate for you. As you know, stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed and past performance is not necessarily a predictor of future performance. As a result, there is a risk of loss of any assets we manage that may be out of our control. We will do our very best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of any account assets.

### **Item 9 – Disciplinary Information**

We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a client/adviser relationship, or to continue a client/adviser relationship with us. We do not have any legal, financial or other “disciplinary” item to report to you for our firm or for any of our advisory representatives or employees.

### **Item 10 – Other Financial Industry Activities and Affiliations**

GFFA is a fully owned subsidiary of Gallagher, Flynn & Company, LLP (GFC). GFC is a public accounting and consulting firm. Advisory representatives and associated persons of GFFA may also be separately employed as officers or CPAs or may be part owners of GFC. Clients may be referred between these two firms; however, clients are under no obligation to use any services provided by the other firm. While employees of GFC are not paid a direct fee based on the actual referrals made to GFFA, GFC benefits from the referral arrangement due to its direct ownership of GFFA.

GFFA in turn is the owner of Gallagher Flynn Insurance, LLC (GFI), an insurance company licensed in the State of Vermont. Our advisory representatives may also be licensed insurance agents with various unaffiliated life, disability or other insurance companies and can earn commissions when acting in this separate capacity. Thus, a conflict of interest could exist if clients elect to implement our insurance recommendations and select the advisory representatives, in their separate capacity as insurance agents, to implement those transactions. Clients are not obligated to use GFFA’s advisory representatives in their separate capacities as insurance agents or to purchase insurance products through GFI.

GFFA primarily uses programs offered by Schwab and FundQuest Incorporated (FundQuest), SEC registered investment advisors, when managing client assets. In addition, some of the programs offered through these advisors may utilize additional sub-account managers that have been pre-screened and selected by Schwab and FundQuest. When utilizing these programs, Schwab and FundQuest and any sub-account manager used in managing the assets will receive a fee in addition to the fee charged to the client by us. We will not utilize any advisor unless the advisor is properly registered with the SEC or appropriate state authority. In

addition, advisors will not be utilized unless such advisors are properly registered or are exempt from registration as investment advisors in each client's state of residence. SAA may at times provide us with back office and administrative support services. When doing so, SAA will receive a portion of the management fee or an administrative fee for the services provided.

Our IARs are registered representatives of SAI, a full-service broker/dealer, member FINRA/SIPC. Clients wishing to implement the advice of our IARs are free to select any broker they wish and are so informed. If the client wishes to have the IARs implement the advice in their separate capacity as registered representatives, SAI will be used. SAI has a wide range of approved securities products for which SAI performs due diligence in selecting. SAI's registered representatives are required to adhere to these products when implementing securities transactions through SAI. Commissions charged for these products may be higher or lower than commissions the client may be able to obtain if transactions were implemented through another broker/dealer. When placing securities transactions through SAI in their capacity as registered representatives, the IARs may earn sales commissions.

We from time to time may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

We or SAA may invest a portion of a client's assets in mutual funds, variable annuities or Exchange Traded Funds (ETFs) and charge an investment management fee on the client's assets invested in these securities. Therefore, clients may pay two levels of fees for the management of their assets, one directly to us or SAA and one indirectly to the managers of the mutual funds or variable annuities held in their portfolios.

We may select and monitor third party money managers to manage client assets. When soliciting for money managers, we will receive a portion of the fees paid to the money manager.

We do not have a related person that is an investment advisor; however, we may have relationships with nonaffiliated investment advisors.

The foregoing relationships and affiliations may result in conflicts of interest that may affect the independent judgment of us or our IARs. Material conflicts of interest will be disclosed to clients up front and all efforts will be made to put the interest of the client first.

## Item 11 – Code of Ethics

### **Code of Ethics Summary**

We have adopted certain policies and procedures that are consistent with the rules applicable to SEC-registered investment advisers. According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, an investment advisor has a duty of utmost good faith to act solely in the best interest of each of our clients. We and our advisory representatives have a fiduciary duty to all clients. As a result, we have established a Code of Ethics which all advisory representatives must read and acknowledge. We and our advisory representatives' fiduciary duty to clients is considered the core underlying principle of our Code of Ethics and represents the expected basis for all advisory representatives' dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of us or our advisory representatives' own investment interests. We shall conduct business in an honest, ethical and fair manner. We comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All advisory representatives have a responsibility to avoid circumstances that might negatively affect or appear to affect the advisory representatives' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of our Code of Ethics. If current clients or potential clients wish to review our Code of Ethics in its entirety a copy may be requested from any of our advisory representatives and a copy will be provided promptly.

### **Insider Trading Policy**

While selling securities for commissions is not a major part of our business, as registered representatives, our advisory representatives may sell securities to clients for commissions. This may present a potential conflict of interest if clients choose them to implement advisory recommendations in their separate capacity as registered representatives since they may receive fees or commissions. Clients need to understand that they are free to select any broker/dealer they wish to implement advisory recommendations.

GFFA, its advisory representatives and employees may buy or sell securities or have an interest or position in a security for their personal account that they also recommend to clients. GFFA is and shall continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. It is our express policy that no person employed by GFFA may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This is designed to prevent employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, GFFA has established the following restrictions in order to ensure its fiduciary responsibilities:

1. An officer or employee of GFFA shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his/her possession of material non-public information. No person of GFFA shall prefer his/her own interest to that of the advisory client.

2. GFFA maintains a list of all of its securities holdings, and of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by the Managing Director of GFFA.
3. All clients are fully informed that certain individuals may receive separate compensation when effecting transactions in the insurance arena during the implementation process.
4. GFFA requires that all of its officers or employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
5. Any individual not in observance of the above may be subject to termination or other sanctions.

### **PRIVACY POLICY STATEMENT**

We are committed to safeguarding the confidential information of our clients. We hold all personal information provided to us in the strictest confidence. These records include all personal information that we collect from our clients or receive from other firms in connection with any of the financial services we provide. We also require other firms with whom we deal to restrict the use of client information. Our Privacy Policy will be delivered to the client when our advisory services are engaged and can also be requested by the client at any time.

## **Item 12 – Brokerage Practices**

### **Best Execution**

Although we do not allow directed brokerage, we must still use reasonable diligence to make certain that best execution is obtained for clients when implementing any transactions. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions surrounding the transaction execution are in the best interests of clients. IARs will look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g. investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We will exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any client transaction by considering the back office services, technology and pricing of services offered.

We will perform periodic reviews to determine that the relationship with SAI, Schwab and NFS is still in the best interests of our clients.

### **Soft Dollar**

Investment advisors may direct portfolio brokerage commissions to a particular broker/dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research are known as "soft dollars." Section 28(e) of the *Securities Exchange Act of 1934* provides a "safe harbor" that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

Although we don't allow directed brokerage, we may still receive products and services from SAI, Securities America Advisors, Inc. (an affiliated investment advisor of SAI), or other program sponsors and product issuers. These products and services may be used for both research and nonresearch purposes and allow us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues
- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. We do not attempt to allocate the relative costs or benefits of research among clients because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to clients.

These arrangements may be deemed to create a conflict of interest to the extent that we would have to pay for some or all of the research and/or services with "hard dollars" if we were unable to obtain the research and services in exchange for commissions in connection with client transactions. Client trades will always be implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

### **Item 13 – Review of Accounts**

As part of its investment management or supervisory services, GFFA engages in periodic account reviews to determine that the accounts are performing in accordance with the client's



stated investment objectives and strategies as derived from the client's relevant investment and financial information and completed risk questionnaire for the account.

Third party program providers review their model portfolios at a frequency described in the client contract and they implement asset allocation shifts within each model portfolio as indicated by market and economic conditions. The program provider, or GFFA, as part of its investment management or supervisory services, or any independent sub-advisors, engage in periodic account reviews to determine that the account is structured in accordance with the client's investment objectives and strategies as derived from the client's relevant investment and financial information and completed risk questionnaire for the account.

To assist us in monitoring and maintaining our client accounts we may periodically request and review updates to a client's investment information to make sure that the client's options remain consistent with the client's stated investment objectives and strategy.

James Donohue, as Managing Director, is in charge of reviewing all client accounts.

GFFA or the program provider provides quarterly performance reports to clients for their accounts. Clients will receive statements at least quarterly from the investment company, broker/dealer, clearing firm or money manager where their accounts are maintained.

Clients participating in any of the FundQuest Programs will receive quarterly performance reports directly from FundQuest.

Clients in our Schwab managed accounts will receive a quarterly performance analysis report from us.

## **Item 14 – Client Referrals and Other Compensation**

Gallagher, Flynn & Company, LLP (GFC) is a public accounting and consulting firm and the parent Company of GFFA. Advisory representatives and other associated persons of GFFA may also be separately employed as officers or CPAs or may be owners of GFC. Clients may be referred between these two firms; however, clients are under no obligation to use the services of the other firm. While employees of GFC are not paid a direct fee based on the actual referrals made to GFFA, GFC benefits from the referral arrangement due to its direct ownership of GFFA.

The foregoing relationships and affiliations may result in conflicts of interest that may affect the independent judgment of us or our IARs. Material conflicts of interest will be disclosed to clients up front and all efforts will be made to put the interest of the client first.

See also Item 10 – Other Financial Industry Activities and Affiliations.

## **Item 15 – Custody**

The custody of all funds and securities will be maintained by Schwab, NFS, insurance companies or other custodians. At no time will SAA, SAI, we or our IARs act as custodian of the Account or have direct access to client funds and/or securities. We urge clients to compare

any performance reports you receive from us with account statements you receive directly from the custodian. Inquiries or concerns regarding your account, including performance reports, should be directed to us.

## Item 16 – Investment Discretion

When our clients complete a new account application, we ask them to consent to allow us discretion to purchase those securities in their account that we deem best meet their investment goals and objectives as well as their risk tolerance. This discretion also allows us to rebalance their portfolios by buying and selling positions to maintain their original risk tolerance balance.

This discretion also allows us to automatically deduct investment management fees from their accounts after they have received the proper notification in writing that this will be done.

If our clients prefer to have our advisory representatives manage their assets on a limited discretionary basis, that means we will not have authority to withdraw funds and/or securities from client accounts except when written authorization has been provided. We would also need written authorization to deduct management fees from a client's account.

## Item 17 – Voting *Client* Securities (i.e., Proxy Voting)

We and our employees will not vote proxies on behalf of clients. Clients are instructed to read through the information provided with the proxy document and make a determination based on the information provided. In some instances, upon request from the client, investment advisor representatives may provide clarifications and general recommendations based on their understanding of issues presented in the proxy materials. However, clients will be solely responsible for all proxy voting decisions.

## Item 18 – Financial Information

Not applicable.

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