



Item 1 – Cover Page

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This Part 2A to the Form ADV (the “Brochure”) for Galliard Capital Management (“Galliard”) provides information about the qualifications and business practices of Galliard. If you have any questions about the contents of this Brochure, please contact us at 1-800-717-1617 and/or Galliard@Galliard.com. 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.

Galliard 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 Galliard 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. In response to those regulatory revisions, Galliard’s Form ADV was revised substantially.

While Galliard has had significant incremental increases in staffing and assets under management since June 15, 2011, we have identified no reportable material changes since our last update to form ADV. Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes and subsequent Brochures within 120 days of the close of our business’ fiscal 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 Mike Norman, Senior Principal at 612-667-3219 or Michael.D.Norman@Galliard.com. Our Brochure is also available on our web site <https://www.galliard.com/index.php>, also free of charge.

Additional information about Galliard is also available via the SEC’s web site www.adviserinfo.sec.gov. While Galliard does not have investment adviser representatives, the SEC’s web site does provide information about any persons affiliated with Galliard who are registered, or are required to be registered, as investment adviser representatives of Galliard.



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Item 4 – Advisory Business

Galliard is an institutional investment advisory firm specializing in fixed income and stable value management. The firm was incorporated in June of 1995 in Minneapolis, Minnesota, and is an independently operated, wholly-owned subsidiary of Wells Fargo Bank, N.A. Wells Fargo Bank is a wholly owned national bank subsidiary of Wells Fargo & Company one of the nation's premier financial services companies based in San Francisco, California. Since Galliard's inception in 1995, the firm has been managed by the same senior management team, consisting of three managing partners. There are numerous people responsible for the management of client assets, as identified in the Part 2B Brochure Supplement.

The following is a summary of Galliard's main lines of business:

Stable Value Management. Galliard offers its stable value management services to defined contribution plans. This management style is designed to provide clients with a customized vehicle for investment in a portfolio of securities and other financial instruments having fixed income characteristics, including, but not limited to, guaranteed investment contracts and security backed contracts, with the objectives of preserving capital and obtaining a moderate level of return. Galliard may provide daily valuation services for defined contribution stable value plans for a fixed fee, which varies depending on services provided.

Galliard acts as sub-advisor to the Wells Fargo Stable Return Fund. The purpose of the Stable Return Fund is to provide accounts which are qualified under ERISA with a vehicle for collective investment and reinvestment in a portfolio of securities and other financial instruments having fixed income characteristics, including, but not limited to, guaranteed investment contracts and security backed contracts, with the objectives of preserving capital and obtaining a moderate level of return. The Stable Return Fund is a collective investment fund managed and trustee by Wells Fargo Bank, N.A.

Fixed Income Separate Account Management. Galliard offers customized active fixed income management against client-driven objectives and benchmarks. Our fixed income philosophy and approach attempts to generate income and control risk.

Collective Bond Fund Management. Galliard acts as sub-advisor to certain Wells Fargo Collective Bond Funds. The purpose of the Fixed Income Funds is to provide Qualified



Accounts with a vehicle for collective investment and reinvestment in a portfolio of fixed income securities. The Funds are managed by Wells Fargo Bank, N.A., which also serves as trustee.

Wells Fargo Mutual Funds - Fixed Income Funds. Galliard provides fixed income sub-advisory services to its affiliate, Wells Fargo Funds Management, LLC, in managing certain mutual fund assets in the Wells Fargo Master Trust which are distributed by Wells Fargo Funds Distributor, LLC, member NYSE/SIPC.

High Yield Fixed Income Management. Galliard offers a customized strategy with an allocation to high yield fixed income securities. High yield securities are bonds rated below investment grade, are unrated, or in default at the time of purchase. These securities may present a greater risk of loss and may experience more price volatility than investment grade securities.

In Galliard's capacity as sub-advisor to the Bank or other funds and as advisor directly to separate account clients, advisory services will be based on each individual client's needs and objectives, taking into consideration the nature and amount of all assets of the client where the client is willing to divulge this information. Certain institutional investors may be unwilling to disclose fully such information and may direct portfolios be invested without full understanding of their broader plan needs which they have determined themselves or in consultation with an investment consultant or another advisor.

As of 12/31/2011, Galliard managed \$68,621,229,280 on a discretionary basis and \$8,948,488,994 on a non-discretionary basis, which includes all assets in stable value investment options for which Galliard provides investment advisory oversight.

Item 5 – Fees and Compensation

Galliard charges fees for investment management services based on a limited number of major distinctions among its clients. First, because Galliard is a wholly-owned subsidiary of Wells Fargo, which is also Galliard's single largest client, Wells Fargo's fee schedules are only applicable to various Wells Fargo funds.

Next, for clients other than Wells Fargo, a separate fee table is applicable to that portion of a client's assets which are invested in a stable value investment strategy.



Finally, for that portion of a client's assets invested in a fixed Income investment strategy, separate fee tables are applicable depending on whether the investment is made through a Collective Bond Fund, a Separate Account, or pursuant to the implementation of a High Yield Fixed Income Investment Strategy. The following is a concise summary of the various Galliard fee schedules for investment advisory services.

Wells Fargo Fee Schedules

Management fees for sub-advisory services for Wells Fargo advised funds are calculated and billed based on market value of fund assets monthly.

Wells Fargo Mutual Funds - Fixed Income Funds. For assets in the Wells Fargo Mutual Funds – Fixed Income Funds, Galliard receives a sub-advisory fee paid in accordance with the following fee schedules:

Managed Fixed Income Fund

For the first \$100 million in assets the fee payable is 0.20%
For the next \$200 million in assets, the fee payable is 0.175 %
For the next \$200 million in assets, the fee payable is 0.15%
For amounts over \$500 million in assets, the fee payable is 0.10%

Stable Income Fund

For the first \$100 million in assets, the fee payable is 0.15%
For the next \$200 million in assets, the fee payable is 0.10%

For amounts over \$300 million in assets, the fee payable is 0.05%

Wells Fargo Stable Return Fund. For the Portion of the Stable Return Fund which represents an investment of assets under management by Wells Fargo, a fee of .05% is charged.

Stable Value Management Fee Schedule

For clients other than those referenced above, for that portion of a Client's assets invested pursuant to a Stable Value management strategy, whether invested in the Stable Value Fund or a separate account, the following table represents the maximum fee schedule applicable:



For the first \$10 million in assets, the fee payable is 0.40%
For the next \$10 million in assets, the fee payable is 0.35%
For the next \$10 million in assets, the fee payable is 0.30%
For the next \$20 million in assets, the fee payable is 0.25%
For amounts over \$50 million, the fee charged on any balance would be negotiated

Fixed Income Investment Fee Schedules

Collective Bond Fund Management Fee Schedule: For that portion of a client's assets which are invested in a fixed income investment strategy using the Collective Bond Funds, the following table represents the maximum fee schedule applicable to the collective bond fund:

For the first \$50 million in assets, the fee payable is 0.30%
For the next \$50 million in assets, the fee payable is 0.25%
For the next \$100 million in assets, the fee payable is 0.20%
For amounts over \$200 million, the fee charged on any balance would be negotiated

These fees do not apply to assets which may be invested in the Collective Bond Funds by the Stable Value Funds or to that portion of a Stable Value separate account asset using the Collective Bond Funds

Fixed Income Separate Account Management Fee Schedule. For that portion of a client's assets invested in a fixed income strategy, other than through a collective bond fund or the high yield fixed income investment strategy outlined below, the following table represents the maximum fee schedule applicable:

For the first \$50 million in assets, the fee payable is 0.30%
For the next \$50 million in assets, the fee payable is 0.25%
For the next \$100 million in assets, the fee payable is 0.20%
For amounts over \$200 million, the fee charged on any balance would be negotiated

This fee is not applicable to assets invested by Wells Fargo, which is subject to the fee schedules outlined above.

High Yield Fixed Income Management Fee Schedule: For that portion of a client's assets which are invested in a high yield fixed income investment strategy using separate



accounts, the following table represents the maximum fee schedule applicable to the collective bond fund:

For the first \$25 million in assets, the fee payable is 0.50%

For the next \$25 million in assets, the fee payable is 0.40%

For the next \$50 million in assets, the fee payable is 0.30%

For amounts over \$100 million, the fee charged on any balance would be negotiated

Information Applicable to Clients other than Wells Fargo. Management fees for direct separate account clients are typically calculated and billed quarterly based on quarter end market values. As requested by clients, quarterly fees may be based on an average of the month end values for the quarter or may be calculated and billed monthly based on month end market values. Certain employee benefit plan portfolios are valued daily and accrue an advisory fee based on the daily market value of the plan portfolio. These fees are typically paid quarterly.

The specific manner in which fees are charged by Galliard is established in a client's written agreement with Galliard. Reduced or negotiated fees may be applicable to accounts with special circumstances, which may include large asset balances, wholesale relationships, and competitive bids through formal requests for proposals. Fixed dollar fees may be negotiated where clients receive advice but not discretionary management. In certain special circumstances, fees may be paid in advance. In such cases, fees will be refunded pro rata upon termination of the investment agreement by either party. Minimum account size may be waived based on expected growth, total relationship or other factors as determined by Galliard.

Galliard may provide advice to other institutions or advisors regarding new investment products where it does not directly manage assets but serves as advisor in selecting assets, investment contracts and/or managers and may monitor their performance on an ongoing basis. Fees for this service would be negotiated in each circumstance as a percent of assets advised or a fixed fee.

Some Galliard clients may also be clients of other Wells Fargo affiliates. These other affiliates may charge fees delineated in contracts executed between those Galliard clients and the affiliates involved. The contracts relate to services rendered by those affiliates for assets which may be managed by Galliard.



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

Although Galliard does not currently have any performance-based fee arrangements, in rare cases, Galliard has entered into performance-based fee arrangements with certain “qualified” clients: such fees are subject to individualized negotiation with each client. Galliard will structure any performance or incentive fee arrangement subject to the requirements of Section 205(a)(1) of the Investment Advisors Act of 1940 (The “Advisors Act”) in accordance with the available exemptions, including the exemption set forth in Rule 205-3 and Minnesota rule 2875.1010. In measuring clients' assets for the calculation of performance-based fees, Galliard includes all income, realized and unrealized capital gains and losses, and all transaction costs. Performance based fee arrangements may have the appearance to create an incentive for Galliard to recommend investments which may be riskier than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Galliard has adopted the necessary procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among all clients.

Item 7 – Types of Clients

Galliard markets its advisory services to institutional investors, including but not limited to: Banking or thrift institutions; Corporate and Public Employee Benefit Plans; Taft-Hartley Plans; Private and Public Foundations and Endowments; Public Entities; and other taxable and tax exempt organizations and trusts.

Galliard Capital Management offers two main variations of fixed income management:

- Customized active management against client-driven objective and benchmarks.
- Stable value management for qualified retirement plans and deferred compensation programs.



Galliard's minimum account/relationship size is generally \$10 million for a separate account portfolio and \$2 million for an account invested in Galliard advised collective funds. We reserve the right to accept smaller accounts under special circumstances.

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

Fixed Income Investment Decision Making

All Galliard portfolios are managed using a team approach, blending top down and bottom up disciplines into the overall investment decision making process. The Galliard Fixed Income Committee provides formal oversight on a monthly basis while Galliard's sector teams together with the client portfolio management team to implement the investment strategy on a daily basis for each client portfolio. This includes idea generation, relative value analysis, credit review and analysis, and trading. While most trade ideas are discussed before execution among traders and senior portfolio managers, all transactions are reviewed in the daily investment meetings attended by the entire investment staff, including the managing partners.

- **Fixed Income Committee.** Investment strategy and overall portfolio management direction is provided by the Fixed Income Committee which consists of the managing partners and sector team heads and other members of the Galliard senior management team. The strategy reviews include discussion of overall duration positioning, sector weightings and overall risk appetite given the Fixed Income Committee's macro outlook and the relative attractiveness of spread sectors versus Treasuries. This Committee meets monthly to review portfolio positioning, discuss the market environment, and oversee strategy implementation and compliance, providing formal oversight on a monthly basis.
- **Sector Teams.** Galliard's Corporate Sector Team and the Structured Sector Team are responsible for implementation of sector strategies and individual security selection within client portfolios in conjunction with the client portfolio management team. Each team consists of a partner/sector head, traders and designated analysts with responsibilities within that sector. The teams meet periodically to discuss and refine current sector strategy, discuss credit reviews and investment opportunities for input to the Fixed Income Committee.



- **Client Portfolio Management.** The Client Portfolio Management Team is responsible for monitoring all accounts, including reviewing portfolio activity and positioning regularly. The Client Portfolio Management Team works in conjunction with the Sector Teams and the Fixed Income Committee to ensure each client portfolio is managed in accordance with the client's specific guidelines and objectives and in a manner consistent with the established investment strategy for that account.

Stable Value Portfolio Management Investment Decision Making

Galliard has always integrated stable value portfolio management within the broader fixed income management process. The chassis of Galliard's stable value portfolios is traditional fixed income management. We employ techniques with particular emphasis on high quality securities, broad diversification, adequate liquidity, controlled market risk (duration) and a disciplined risk management and investment process to identify the best fundamental values in all fixed income sectors.

The Stable Value Strategy Team drives the contract level strategy and allocation among portfolio segments in the portfolio. The team is supported by the Stable Value Client Analyst Team (primarily responsible for day-to-day client service, monitoring of daily cash flows, monthly/quarterly portfolio reporting) and the Stable Value Contracts Team (primarily responsible for supporting our wrap provider relationships and negotiating/executing contracts).

The Stable Value Strategy Team oversees the portfolio's contract level strategy and portfolio allocation decisions. Contract level strategy responsibilities include diversification among providers, use of GIC's and insurance separate accounts, reviewing and approving bid specifications for major contract terms, and finalizing investment guidelines for various fixed income portfolio segments. Portfolio allocation decisions are made with respect to a client's liquidity buffer, fixed income portfolio segments (short, intermediate and aggregate), and strategy/manager selection. Allocation decisions primarily determine cash flows in and out of the underlying fixed income portfolios, which are then invested in conformance with their guidelines and strategies by Galliard's Fixed Income Team. This process is closely coordinated via the daily investment meeting which all parties attend, the weekly client portfolio manager meetings which all client portfolio managers attend (both fixed income and stable value), and the monthly Fixed Income Committee strategy meeting which all attend.



Principal Risk Factors

As is true of any form of investment, a risk of loss accompanies an expectation for a positive investment return. Underperformance or a loss may arise as a result of many factors. Some of these factors may include:

General Investment Risk - While the Galliard team approach to investment management seeks to mitigate investment risk, there is no guarantee that investors will not lose all or a portion of their investment.

Management Risk. This is the risk that the investment techniques and risk analyses used by Galliard's portfolio managers will not produce the desired results, which may lead to unanticipated losses or underperformance.

Interest Rate Risk – This is the risk that changes in interest rates will affect the return on an investment either positively or negatively. This change may be due to capital gains or losses on the investment's market value, to changes in the reinvestment rate on interest income, or to interest rates triggering prepayment or extension of principal.

Reinvestment Risk – This is the risk that, upon the disposition or maturity of an asset, the rates available for reinvestment will be lower than the original coupon yield.

Debt Securities and Credit (Default) Risk. Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer or credit support provider of an instrument will be unable to make interest payments or repay principal when due. Debt securities may also have, or become subject to, liquidity constraints. Changes in the financial strength of an issuer or credit support provider or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that market interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations. Debt securities with longer durations are generally more sensitive to interest rate changes than those with shorter durations. Changes in market interest rates do not affect the rate payable on an existing debt security, unless the instrument has adjustable or variable rate features, which can reduce its exposure to interest rate risk. Changes in market interest rates may also extend or shorten the duration of certain types of instruments, such as asset-backed securities, thereby affecting their value and returns.



Market Risk. The market price of securities may go up or down, sometimes rapidly or unpredictably. Securities may decline in value or become illiquid due to factors affecting securities markets generally or particular industries represented in the securities markets, such as labor shortages or increased production costs and competitive conditions within an industry. A security may decline in value or become illiquid due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. During a general downturn in the securities markets, multiple asset classes may decline in value or become illiquid simultaneously. Equity securities generally have greater price volatility than debt securities, but market risk is a basic risk associated with all securities.

Prepayment Risk - Prepayment risk is most prevalent when the market is experiencing falling interest rates which leads to heavy prepayments of mortgage or other loans, forcing the investor to reinvest at lower prevailing rates.

Derivative Risk. The term “derivatives” covers a broad range of investments, including futures, options and swap agreements. In general, a derivative refers to any financial instrument whose value is derived, at least in part, from the price of another security or a specified index, asset or rate. The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives. These risks are heightened when the portfolio manager uses derivatives to enhance return or as a substitute for a position or security, rather than solely to hedge (or offset) the risk of a position or security held. The success of management’s derivatives strategies will also be affected by its ability to assess and predict the impact of market or economic developments on the underlying asset, index or rate and the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. Certain derivative positions may be difficult to close out when a portfolio manager may believe it would be appropriate to do so. Certain derivative positions (e.g., over-the-counter swaps) are subject to counterparty risk.

Diplomatic Risk. The risk that an adverse change in the diplomatic relations between countries might reduce the value or liquidity of investments in either country.



Foreign Investment Risk. Foreign investments are subject to additional risks, including potentially less liquidity and greater price volatility. These additional risks also include those related to adverse political, regulatory, market or economic developments, and foreign markets can and often do perform differently from U.S. markets. Moreover, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of Gross Domestic Product, rate of inflation, capital reinvestment, resource self-sufficiency, and balance of payment positions. Additionally, foreign companies may be subject to significantly higher levels of taxation than U.S. companies, including potentially confiscatory levels of taxation, thereby reducing their earnings potential.

Futures Contract Risk. Transactions in futures contracts involve certain risks and transactions costs. Risks include imperfect correlation between the price of the futures contracts and the price of the underlying securities, the possible absence of a liquid secondary market for any particular instrument, the counterparty or guaranteeing agent defaulting, and trading restrictions imposed by futures exchanges due to price volatility. Futures contracts involve the posting of margin deposits, and movement in the underlying securities may result in calls for additional payments of cash. The need to make such additional payments could require the liquidation of securities at a disadvantageous time. Neither Galliard nor the client funds managed by Galliard are required to register as commodity pool operators and will not purchase futures contracts for speculation.

Inflation-Protected Debt Securities Risk. Inflation protected debt securities are structured to provide protection against the negative effects of inflation. Inflation is a general rise in the prices of goods and services which can erode an investor's purchasing power. Unlike traditional debt securities whose return is based on the payment of interest on a fixed principal amount, the principal value of inflation protected debt securities is periodically adjusted according to the rate of inflation and as a result, interest payments will vary. For example, if the index measuring the rate of inflation falls, the principal value of an inflation-protected debt security will fall and the amount of interest payable on such security will consequently be reduced. Conversely, if the index measuring the rate of inflation rises, the principal value on such securities will rise and the amount of interest payable will also increase. The value of inflation-protected debt securities is expected to change in response to changes in real interest rates. Generally, the value of an inflation-



protected debt security will fall when real interest rates rise and inversely, rise when real interest rates fall.

Information Risk. The risk that information about a security is unavailable, incomplete or inaccurate, leading to investment decisions which might be flawed and subject to a greater risk of loss.

Issuer Risk. The value of a security may decline for a number of reasons that directly relate to the issuer such as management performance, financial leverage, and reduced demand for the issuer's goods, services or securities.

Liquidity Risk. This risk generally relates to the degree to which an investment can be easily sold or converted into cash.

In a fixed income context, it is the risk that a security cannot be sold at the time desired, or cannot be sold without adversely affecting the price. The securities in some foreign companies may be less easy to buy and sell (that is, less liquid) and their prices may be more volatile than securities of comparable U.S. companies. In addition, the differing securities market structures and various potential administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends, may reduce liquidity and adversely affect the value of some securities.

In a stable value context, it is the risk relating to participants' ability to access funds without acceptance of enhanced market value risk or other risks. At the portfolio level, it means the ability to meet cash flow demands without having to sell investments at distressed prices. Liquidity risk is increased in an institutional context, such as a stable value fund, which must anticipate the withdrawal needs of institutional clients that may react to market or other needs in ways which may be difficult to anticipate. A stable value fund is structured to provide adequate liquidity for normal withdrawal needs. However, investors should generally consider a stable value fund to be a long-term investment for participants to accumulate retirement assets.

Mortgage- and Asset-Backed Securities Risk. Mortgage and asset-backed securities represent interests in "pools" of mortgages or other assets, including consumer loans or receivables held in trust. In addition, mortgage dollar rolls are transactions in which mortgage-backed securities are sold to a dealer which



simultaneously agrees to purchase similar securities in the future at a predetermined price. Mortgage- and asset-backed securities, including mortgage dollar roll transactions, are subject to certain additional risks. Rising interest rates tend to extend the duration of these securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, these securities may exhibit additional volatility. This is known as “extension risk.” In addition, these securities are subject to prepayment risk, which is the risk that when interest rates decline or are low but are expected to rise, borrowers may pay off their debts sooner than expected. This can reduce the returns of a Fund because the Fund will have to reinvest that money at the lower prevailing interest rates. This is also known as reinvestment risk. These securities also are subject to risk of default on the underlying mortgage or assets, particularly during periods of economic downturn.

Multi-Style Management Risk. Because certain portions of the assets of certain client accounts are managed by investment advisers which are not affiliated with Galliard managers using different styles, those clients could experience overlapping security transactions. Certain One such investment adviser may be purchasing securities at the same time as another such investment adviser may be selling those same securities. This may lead to higher transaction expenses and may generate higher short-term capital gains compared to a client using a single investment management style.

Political Risk. This is the risk that political actions, events or instability may be unfavorable for investments made in a particular nation’s or region’s industry, government or markets.

Regulatory Risk. This is the risk that changes in government regulations may adversely affect the value of a security.

Sector Emphasis Risk. Investing a substantial portion of a client’s assets in related industries or sectors may have greater risks because companies in these sectors may share common characteristics and may react similarly to market developments.

Stripped Securities Risk. Stripped securities are the separate income or principal components of debt securities. These securities are particularly sensitive to changes in interest rates, and therefore subject to greater fluctuations in price than typical interest bearing debt securities. For example, stripped mortgage-backed securities



have greater interest rate risk than mortgage-backed securities with like maturities, and stripped treasury securities have greater interest rate risk than traditional government securities with identical credit ratings.

U.S. Government Obligations Risk. U.S. Government obligations include securities issued by the U.S. Treasury, U.S. Government agencies or government sponsored entities. While U.S. Treasury obligations are backed by the “full faith and credit” of the U.S. Government, securities issued by U.S. Government agencies or government-sponsored entities may not be backed by the full faith and credit of the U.S. Government. The Government National Mortgage Association (GNMA), a wholly owned U.S. Government corporation, is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or the Department of Veterans Affairs. Government-sponsored entities (whose obligations are not backed by the full faith and credit of the U.S. Government) include the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). Securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not explicitly backed by the full faith and credit of the U.S. Government. FHLMC guarantees the timely payment of interest and ultimate collection or scheduled payment of principal, but its securities are not explicitly backed by the full faith and credit of the U.S. Government.

If the U.S. Treasury, U.S. Government agencies or government-sponsored entity is unable to meet its obligations or its creditworthiness declines, the performance of an account that holds securities issued or guaranteed by the entity will be adversely impacted. U.S. Government obligations are subject to low but varying degrees of credit risk, and are still subject to interest rate and market risk.

On August 5, 2011, Standard & Poor’s lowered its long term sovereign credit rating on the United States of America from AAA to AA+. While U.S. lawmakers reached agreement to raise the federal debt ceiling on August 2, 2011, the downgrade reflected Standard & Poor’s view that the fiscal consolidation plan within that agreement fell short of what would be necessary to stabilize the U.S. government’s medium term debt dynamics. This downgrade could have material adverse impacts on financial markets and economic conditions in the United States and throughout the world and, in turn, the market’s anticipation of these impacts could have a material adverse effect on U.S. Government Securities and markets generally. While



we believe that the U.S. Government maintains a high ability to service its outstanding debt, additional downgrades and/or a further deterioration in the credit quality of the U.S. Government could negatively impact the value of U.S. Government obligations.

Events in the European Union. In addition, global markets and economic conditions have been negatively impacted by the ability of certain European Union ("EU") member states to service their sovereign debt obligations. The continued uncertainty over the outcome of the EU governments' financial support programs and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets. In particular, it has and could in the future disrupt equity markets and result in volatile bond yields on the sovereign debt of EU members. These factors could have an adverse effect on the price and liquidity of the securities held by our clients.

Yield Curve Risk. Yield curve risk refers to the exposure that a security or portfolio may have in the event of changes in the yield differences required by investors between short and long term debt instruments, (i.e. the yield curve) that will affect the return of an investment either positively or negatively.

The list above is not designed to be exhaustive, but instead is intended to give you a sense of the various processes which make an investment return far from certain, no matter what the context of your investment.

Risk of Loss in the Stable Value Context – In addition to the risks enumerated above, an investment in a Stable Value instrument is subject to certain additional risks. Some of the principal risks include:

Cash Flow Risk. This is the risk, in the context of a stable value fund, that the net effect of a fund's contributions or withdrawals will have a negative impact on the fund's crediting rate, thereby decreasing the income which the fund generates for participants, or could ultimately result in the need to invoke the terms of the coverage provided by the fund's investment contracts (See "Investment Contract Risk" below). Also included in this risk is the notion that cash flows may be different than expected, making it more difficult to manage the investments in the fund.

In the context of the Wells Fargo Stable Return Fund ("SRF"), stable value separate account portfolios managed by Galliard may employ a strategy which incorporates



the use of SRF as a “liquidity buffer” for the separate account. In these situations, a separate account may hold a portion of its assets in the SRF for liquidity management. In these situations, the separate account may call on some or all of the assets so invested in the SRF to supply participants’ liquidity needs. This strategy could potentially have the effect of increasing the normal liquidity needed by SRF. Galliard manages SRF’s liquidity taking into consideration the potential liquidity needs specific to individual plans and separate account investors as a group. If a plan fiduciary should request that Galliard change its liquidity strategy in their stable value separate account by reducing the SRF investment in lieu of a money market fund, Galliard will require 12 months notice from such fiduciary before it can fulfill such a change in strategy.

Investment Contract Risk. A stable value account generally operates by purchasing investment contracts from financial institutions. These contracts are designed to enable the account to utilize contract value, rather than the market value of the Underlying Assets, when determining the account’s value for participant transactions, pursuant to standards of practice issued by the Financial Accounting Standards Board. While these contracts normally allow for contract valuation, there can be no assurance this valuation can be maintained in certain circumstances. These contract risks include the risk that the contract issuer will default or will likely default) on its obligation under the contract, or that another event of default may occur under the contract rendering it invalid; that the premium or other fee payments under the contract will reduce the performance of the investment; or that the contract will be terminated before a replacement contract with favorable terms can be secured. In addition, the contracts generally may contain terms which reflect circumstances in which the assets underlying the investment contracts (“Underlying Assets”) may be excluded, in whole or in part, from contract value treatment. If these Underlying Assets were not provided contract value treatment, they must be marked to market and could impact the ability to realize the full principal value of the investment. While the specific terms of the various investment contracts may differ among the contract issuers, here are a few examples of circumstances where contract value treatment may not be provided to specific underlying assets:

- Credit defaults and other impairments of Underlying Assets are generally excluded from the investment contracts’ coverage, subject to certain allowances and / or cure periods. The contracts are not intended to guarantee the credit quality or provide default protection for the Underlying Assets. Acting within the applicable account investment guidelines, the client



relies on the credit analysis of its investment adviser or sub-advisers to avoid buying securities which may become impaired. Notwithstanding this, however, there can be no guarantee that Underlying Assets will not become impaired. The impairment of any of these Underlying Assets could cause specific assets to be excluded from the investment contract's coverage, which could cause a loss of the client's principal value.

- Certain employer events are also excluded from the investment contracts' coverage. For example, the contracts recognize certain "employer initiated events or communications," substantially increase the likelihood of large redemptions. Thus, such employer initiated events may significantly increase the risk that a contract issuer be required to make a payment. Therefore, most investment contracts limit the contract value coverage provided for client withdrawals arising as a result of an employer initiated event. This limitation could cause a loss of the client's principal. Examples of employer initiated events include: advising participants to redeem their holdings, significant restructurings of operations, or large scale layoffs. Finally, each contract recognizes certain "Events of Default" which can invalidate contracts' coverage. Among these are investments outside of the range of instruments which are permitted under the investment guidelines contained in the investment contract, fraudulent or other material misrepresentations made to the investment contract provider, changes of control of the investment adviser not approved by the contract issuer, changes in certain key regulatory requirements, or failure of the trust to be tax qualified.

While Galliard endeavors to minimize the likelihood of any loss of contract value coverage from such events, **THERE CAN BE NO ASSURANCE THAT SUCH A LOSS OF CONTRACT VALUE COVERAGE WILL NOT OCCUR, WHICH COULD RESULT IN A LOSS OF PRINCIPAL VALUE OF YOUR INVESTMENT.**

Crediting Rate Risk. A stable value account's yield is the aggregate of all of the investment contracts' individual crediting rates plus the yield on the cash portion of the client's portfolio. The basic function of the formula used to determine a Security Backed Investment Contract's or a Separate Account GIC's crediting rate is to amortize the market value gain or loss of the Underlying Assets over the duration of the portfolio. In circumstances where an account's market value is less than the contract value, the crediting rate will decrease in order to amortize the difference. In these circumstances, the account's yield may be reduced, crediting less than the income earned by the



Underlying Assets. An investment contract's crediting rate provides a fixed return for a period of time until the next rate reset. Typically, these rates are reset quarterly but may be reset more or less frequently. The use of the crediting rate formula and periodic reset schedule allow the contract's return to generally track market rates over time on a lagged basis. So, for example, in an environment where interest rates are rising, the crediting rate may be lower than prevailing interest rates. The crediting rate formula's components include the Underlying Assets' yield, duration, and market value, in addition to the contract value. The management of these key variables can affect the volatility of the contract's overall crediting rate.

As noted previously, the list above is not designed to be exhaustive, but instead is intended to give you a sense of the various processes which make an investment return far from certain, no matter what the context of your investment.

Item 9 – Disciplinary Information

Galliard, as a registered investment adviser, is required to disclose all material facts regarding any legal or disciplinary events that may be material in your evaluation and integrity of Galliard and its management. Galliard is not currently subject to any such legal or disciplinary events. Galliard's parent, Wells Fargo Bank, N.A. has been subject to disciplinary events, which we have disclosed in our ADV Part 1.

Item 10 – Other Financial Industry Activities and Affiliations

Galliard is a wholly owned subsidiary of Wells Fargo Bank, N.A. Wells Fargo Bank is a subsidiary of Wells Fargo & Company, a bank holding company. Some subsidiaries of Wells Fargo are broker dealers and investment advisors. To limit the potential for conflicts of interest, Galliard does not execute transactions with affiliated broker/dealers. Galliard may purchase new issues through a non-affiliated underwriter in which an affiliate is a part of the underwriting syndicate. However, in such cases, our affiliate will not receive any compensation for the securities purchased by Galliard. Galliard clients who have relationships with Wells Fargo affiliates that provide brokerage should note that this policy may impact the brokerage services that Wells Fargo affiliates can perform with respect to assets under management at Galliard. Galliard provides investment advisory and/or sub-



advisory services to Wells Fargo Bank including certain collective investment funds and accounts trusted by the banks. Wells Fargo Funds Management, LLC., serves as advisor to the Wells Fargo Funds governed by the Wells Fargo Master Trust. Wells Fargo Funds Management, LLC is a registered investment company under the Investment Company Act of 1940.

Galliard serves as sub-advisor to certain of these mutual funds and is paid a fee for its advisory services. Wells Fargo banking affiliates may serve as custodian to current and future clients of Galliard. Galliard is sub-advisor to Wells Fargo Banks and Wells Fargo Funds Management, LLC. for certain collective investment funds and mutual funds and receives a fee for these services. Galliard may recommend all or part of a client's assets be invested in these funds as a part of its management strategy. Galliard has an agreement that for any funds so invested, Galliard will waive the fee charged to the banks for these collective fund assets and receive only the client's direct fee paid. Investment in any funds advised for affiliates requires full disclosure of relationship and written direction by the client.

Item 11 – Code of Ethics

Galliard has adopted a Code of Ethics for all supervised persons of the firm, which describe its high standard of business conduct, and fiduciary duty to its clients. Galliard prohibits any person employed by it from engaging in securities transactions that would create a conflict of interest with its clients.

All employees must also comply with the Wells Fargo & Co. Code of Ethics regarding conflicts of interest as well as the Galliard Capital Management Code of Ethics adopted pursuant to rule 204A-1 of the Investment Advisers Act of 1940 and Rule 17j-1 of the Investment Company Act of 1940. Certain employees must also conform to the Association of Investment Management and Research Standards of the Professional Conduct in giving priority to client transactions over personal transactions at all times. Specifically, no employee may purchase or sell a security owned by a Galliard client or a security which is being considered for purchase in a client portfolio. All employees must disclose security holdings and forward duplicate confirmations of all security transactions to the compliance area. Affiliated entities may coincidentally purchase or hold securities owned by Galliard clients but they have no role in the decision to purchase or in the execution of security transactions. Additionally, Galliard's Code requires pre-clearance of certain transactions.



Galliard's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Mike Norman, Senior Principal at 612-667-3219 or Michael.D.Norman@Galliard.com

Item 12 – Brokerage Practices

It is Galliard's policy to seek best execution for security transactions. Security transactions are directed to broker/dealers considering financial safety, research ideas and services provided, and execution capabilities. Where available, three bids/offers are obtained on all transactions with the lowest offer/highest bid winning the transactions. In certain complex transactions, however, it is often not possible to obtain three bids/offers in which case Galliard uses its judgment to obtain best execution.

Traders will often execute block orders for several clients with one or more broker/dealers to receive better execution. In these situations, the trade is promptly allocated into each client's account and each client will receive the same price or same average price in the transaction. Where a group of block trades is made in a single day pursuant to a plan which is determined to be in the best interests of the clients involved to execute as multiple trades, the price received may be averaged so that each client receives the same price for the security purchased.

Galliard will periodically affect purchases/sales of securities between two client accounts if the transaction is beneficial, fair and equitable to both clients. Such transactions are executed at the current fair market value, determined in most cases by obtaining three independent bid/offers and effecting the transaction at the mean of the bid/offer spread which saves both client accounts brokerage transaction costs. Galliard will not affect purchases/sales of securities between client accounts where an ERISA account is party. Galliard does not enter into soft dollar arrangements.

From time to time, an inadvertent error may be made in the execution of a trade. If a trade error is determined to exist in a client account, Galliard shall calculate any gain or loss which may have resulted to the client from the trade. In accordance with Galliard policy, if a trade error results in a gain, that gain shall be retained by the client. If a trade error results in a loss in a client account, the client shall be informed of the error promptly and Galliard will recommend a resolution which it has determined to be appropriate. Factors which may have a bearing on Galliard's determination of what constitutes an appropriate resolution for an error may include whether the trade was part of a larger transaction consisting of multiple trades which should be considered as a single gain or loss; the impact of any



hedging strategy which may limit the amount of loss; whether the loss resulting from the error exceeds a de minimis value, and the price movement of any security which might have been purchased if the trade had been executed correctly.

If a trade error is discovered prior to settlement, the security which is the subject of the error may be reallocated to another client if, at the time of such reallocation, the security is determined to be desirable to the client who is the proposed recipient of the security, and a supervisory approval for the reallocation is obtained. If it is determined, through a review of available market prices for that security, or by modeling the impact of changes in interest rate spreads using comparable securities, between the time the security was purchased and the time of such reallocation, that a loss in the value of that security has occurred, that loss will be borne by Galliard.

Item 13 – Review of Accounts

All client accounts are reviewed on an ongoing basis by multiple functional areas within the firm, including senior management, portfolio management, trading and compliance. The reviews include overall economic outlook, duration positioning, performance, trading activities, and compliance with investment objectives and guidelines. Additionally, all client accounts are subject to an annual administrative review with each functional area within the firm participating.

The market value of a security for client month-end reporting purposes is determined by using security prices obtained from third party sources. If a price is not available from any of the third party sources designated pursuant to Galliard procedures, or the price obtained from that third party source is thought not to represent the true value of the security based on the totality of the facts and circumstances then available, the Galliard Pricing Committee, consisting of Galliard senior management, will use their reasonable judgment to determine the current value of any security, or approve a methodology to determine a price to be reported.

Lastly, all accounts are formally reviewed on a monthly and quarterly basis by the Galliard Fixed Income Committee, which consists of Galliard senior management, and reviews compliance with client objectives and guidelines, regulatory requirements and firm investment policies, as well as reviews overall portfolio positioning, discuss the market environment, and establish strategy.



For Stable Value clients, Galliard produces and delivers client specific product descriptors on a quarterly basis, with a few clients requesting only annual descriptors which contain portfolio positioning and sector allocation, as well as performance figures.

For Fixed Income clients, Galliard produces and delivers client holdings, portfolio positioning and sector allocation, and performance figures on a quarterly basis.

Item 14 – Client Referrals and Other Compensation

Galliard shares fees received for investment advisory services with its parent company, Wells Fargo Bank, N.A., to compensate for qualified referrals and certain other services provided. It is the practice of the parent company to credit fee income received to the bank business unit referring clients to Galliard. In some cases the bank business unit will choose to compensate individuals for these referrals. Galliard has entered into agreements to compensate certain other affiliated and non-affiliated companies and contemplates entering into additional agreements with other companies and/or individual agents for the referral of potential clients. Galliard will maintain full compliance with rule 275.206(4)-3 of the Act, including disclosure of the solicitation agreements to any client who was subject to a referral agreement.

Item 15 – Custody

Clients should receive at least quarterly statements from their qualified custodian that hold and maintain possession of client assets. Galliard strongly urges you to carefully review the statements and compare the custodial records to the account statements that we provide to you. Please note that our statements may vary from custodial statements based on our internal accounting procedures, reporting dates, and/or valuation methodologies of certain securities. If you have any questions regarding your statements, we urge you to call us at the telephone number listed in Item 1.

Item 16 – Investment Discretion

In most cases, Galliard receives discretionary authority from the client at the beginning of an advisory relationship. This grants Galliard the authority to select the identity and



amount of securities to be bought and sold within a client account. In all cases, discretion is to be exercised in a manner consistent with the written client investment objectives and guidelines. In select cases, Galliard may not have full discretionary authority and be required to receive formal approval of the selection and amount of securities to be bought and sold within a client account. Galliard may also have clients that select external managers to manage a portion of their account, and Galliard does not have the authority to replace these external managers.

When selecting securities and determining amounts, Galliard follows the investment objectives and guidelines, limitations and restrictions of each client.

Investment objectives and guidelines must be provided to Galliard in writing. Galliard Senior portfolio managers and investment staff will work with clients to establish a written statement of investment objectives and guidelines if desired.

Item 17 – Voting Client Securities

As a fixed income manager, Galliard would not generally receive or vote proxies. There may be rare occasions which require Galliard to cast a vote relative to a bond indenture, in a default circumstance or provide a decision in a class action lawsuit in which case our policy is to vote/decide in the best economic interests of our clients.

Clients may obtain a copy of Galliard's proxy voting policy by contacting Mike Norman, Senior Principal at 612-667-3219 or Michael.D.Norman@Galliard.com.

Item 18 – Financial Information

Galliard, as a registered investment adviser, is required to provide clients with certain financial information or disclosures about Galliard's financial health. Galliard has no financial commitments or engagements that impair our ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.