

# **Global Financial Private Capital, LLC**

SEC File Number: 801 – 63282

## **Wrap Fee Program Brochure Dated 3/28/2014**

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**This Brochure provides information about the qualifications and business practices of Global Financial Private Capital, LLC. If you have any questions about the contents of this Brochure, please contact us at 941-918-0507 or email at [tlyle@gf-pc.com](mailto:tlyle@gf-pc.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.**

**Additional information about Global Financial Private Capital, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Global Financial Private Capital, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

**The majority of Global Financial Private Capital, LLC’s disclosure statement has remained unchanged since its last Amendment. Clients should note that Global Financial Private Capital, LLC purchased a 28.8% interest in its affiliated sub-advisor, Aviance Capital Management, LLC, from FTIA Holdings, LLC.**

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## Item 4 Services, Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

The client can engage Global Financial Private Capital, LLC (“Global Financial”) to provide discretionary investment advisory services on a wrap *fee* basis. (*See* discussion below). If a client determines to engage Global Financial on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client’s particular need.

### GLOBAL FINANCIAL PRIVATE CAPITAL WRAP PROGRAM

Global Financial is the sponsor and investment manager of the Global Financial Private Capital Wrap Program (hereinafter the “Program”). Under the Program, Global Financial is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. Global Financial’s annual investment advisory wrap fee shall vary from negotiable up to 2.90% of the total assets placed under Global Financial’s management/advisement and shall be based upon the level and scope of the overall investment advisory services to be rendered, which is based upon various **objective and subjective factors**. These factors include, but are not limited to, the amount of the assets placed under Global Financial’s management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement. (See *Fee Differentials* discussed below).

Under the Program, Global Financial, if engaged on a discretionary basis, shall be provided with written authority to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the written agreement between each client and Global Financial. Clients may change/amend these limitations, in writing, at any time. The client shall have reasonable access to one of Global Financial’s investment professionals to discuss their account.

Fidelity Investments, LLC (“*Fidelity*”) shall serve as the custodian for Program accounts.

**Fee Calculation:** The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.

**Fee Payment:** Clients will be charged in advance at the beginning of each calendar quarter based upon the market value of the assets on the last business day of the previous quarter.

**Please Note: Investment Performance:** As a condition to participating in the Program, the participant **must** accept that past performance may not be indicative of future results, and understand that the future performance of any specific investment or investment strategy (**including** the investments and/or investment strategies purchased and/or

undertaken by Global Financial) **may not**: (1) achieve their intended objective; (2) be profitable; or, (3) equal historical performance level(s) or any other performance level(s).

- B. Participation in the Program may cost more or less than purchasing such services separately. Also the Program fee charged by Global Financial for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Depending upon the percentage wrap-fee charged by Global Financial, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and/or if Global Financial were to negotiate transaction fees and seek best price and execution of transactions for the client's account.

- C. The Program's wrap fee does not include certain charges and administrative fees, including, but not limited to, fees charged by *Independent Managers*, transaction charges (including mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than *Fidelity*, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program's wrap fee.
- D. Global Financial's related persons who recommend the Program to clients do not receive compensation as a result of a client's participation in the wrap fee program.

## **Item 5 Account Requirements and Types of Clients**

Global Financial's clients shall generally include individuals, business entities, trusts, estates and charitable organizations.

### **Minimum Investment Amounts Required**

Global Financial Private Capital, LLC only provides one model per each asset management account. With the exception of a Fixed Income Portfolio, the minimum account size varies between \$10,000 and \$50,000 depending upon the model. The following chart shows the minimum account size by model.

Model	Account Minimum
Conservative Income	\$50,000
Conservative Income with Growth	\$50,000
Moderate Growth with Income	\$50,000
Focused Growth	\$50,000
Global Active Alpha	\$25,000
Inflation Protection Portfolio	\$25,000
Enhanced Income Portfolio	\$50,000
Federated Strategic Value Portfolio	\$50,000
Astor Long/Short Balanced Portfolio	\$50,000

F-Squared – Alpha Sector Rotation Portfolio	\$50,000
Bernstein Efficient Growth	\$25,000
Bernstein Efficient Balanced	\$50,000
DIAS Lite Conservative	\$10,000
DIAS Lite Moderate	\$10,000
DIAS Lite Aggressive	\$10,000
Fixed Income Strategy	\$500,000

For sub-account management services, Global Financial Private Capital, LLC generally requires a variable annuity and/or variable life contract with a minimum account value of \$25,000.

Global Financial Private Capital, LLC, in our sole discretion, may waive our account minimum for asset management or sub-account management services or charge a lesser advisory fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

## **Item 6                      Portfolio Manager Selection and Evaluation**

- A. Global Financial may allocate a portion of a client's Program assets among affiliated and/or unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated Program assets. Global Financial shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Global Financial shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.
- B. Global Financial acts as the portfolio manager for the Program. Inasmuch as the execution costs for transactions effected in the client account will be paid by Global Financial, a potential conflict of interest arises in that Global Financial may have a disincentive to trade securities in the client account. In addition, the amount of compensation received by Global Financial as a result of the client's participation in the Program may be more than what Global Financial would receive if the client paid separately for investment advice, brokerage and other services.

As the Program sponsor, Global Financial shall be responsible for the primary management of the Program, including the selection and termination of all *Independent Manager[s]*. Once selected, *Independent Manager[s]* shall be responsible for day-to-day management and selection of securities for the account.

- C. As discussed below, Global Financial also offers to its clients discretionary and non-discretionary investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services, on a non-wrap fee basis.

## **OTHER ADVISORY BUSINESS SERVICES**

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Global Financial to provide discretionary and/or non-discretionary investment advisory services on a non-wrap *fee* basis. (*See* discussion below). If the client engages Global Financial on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody).

Global Financial Private Capital, LLC's annual investment advisory fee shall include investment advisory services, and may also include, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services, Global Financial Private Capital, LLC may be contracted to perform the agreed upon consultations for a fee, the dollar amount of which shall be set forth in a separate written agreement with the client (See FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE) in the next section).

### **NON-WRAP FEE BASIS**

The client can determine to engage Global Financial to provide discretionary/non-discretionary investment advisory services on a *fee* basis. Global Financial's annual investment advisory fee shall vary from negotiable up to 2.90% of the total assets placed under Global Financial's management/advisement and shall be based upon the level and scope of the overall investment advisory services to be rendered, which is based upon various **objective and subjective factors**. These factors include, but are not limited to, the amount of the assets placed under the Registrant's management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement. (See *Fee Differentials* discussed below).

In addition to Global Financial's annual investment advisory fee, you will incur fees charged by the Sub-Advisor in addition to the investment advisory fees charged by Global Financial. The Sub-Advisors' fee range is typically between 0.10% and 0.90%, and these fees are stated in the Sub-Advisor's disclosure brochure. Global Financial may select and retain, utilizing the discretionary authority granted by you, Aviance Capital Management, LLC as a Sub-Advisor. Aviance Capital Management, LLC is an affiliate of Global Financial subject to common control. Aviance Capital Management, LLC may charge an investment advisory fee separate from and in addition to the investment advisory fee charged by Global Financial, and there may be other third-party managers which may offer similar sub-advisory services for a fee which is more or less than charged by Aviance Capital Management, LLC. **See** Item 9 below for more information concerning Global Financial's relationship with Aviance Capital Management, LLC.

Clients who engaged Global Financial on a non-wrap fee basis to advise on and implement Equity Programs will incur advisory fees, inclusive of all Sub-Advisor fees, not to exceed 2.90%. Clients who engage Global Financial on a non-wrap fee basis to advise on and implement Fixed Income Programs will incur advisory fees, inclusive of all Sub-Advisor fees, not to exceed 2.00%.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, Global Financial Private Capital, LLC may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone basis. Global Financial Private Capital, LLC's planning and consulting fees are negotiable, but generally range from \$175 to \$5,000 on a fixed fee basis, and from \$175 to \$500 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). The fees for financial planning services may be waived by the investment advisory representative in certain circumstances. As the circumstances are specific to each financial planning client relationship, the investment advisory representative will make the determination as to whether or not fees will be charged after initial consultations with the client.

Prior to engaging Global Financial Private Capital, LLC to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with Global Financial Private Capital, LLC setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Global Financial Private Capital, LLC commencing services. The advisory relationship ends when the planning that has been contracted has occurred and the fee has been paid by the client. In order to continue the relationship and implement any or all of the financial planning recommendations, it is necessary to enter into a continuing investment management agreement and proceed via the guidance found later in this brochure.

### **MISCELLANEOUS ADVISORY SERVICES DISCLOSURE**

**Non-Investment Consulting/Implementation Services.** If requested by the client, Global Financial may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Global Financial, nor any of its representatives, serves as an accountant and no portion of Global Financial's services should be construed as same. To the extent requested by a client, Global Financial may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including certain of Global Financial's investment adviser representatives in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Global Financial. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Global Financial Private Capital, LLC if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Global Financial Private Capital, LLC's previous recommendations and/or services. **Please Note: Fee Differentials.** As indicated in Items 4 and 6 above, Global Financial shall price its services based upon various objective and subjective factors. As a result, Global Financial's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by Global

Financial to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

**Please Note: Inverse/Enhanced Market Strategies.** Global Financial may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Global Financial, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Sub-Advisory Agreement with Affiliated Investment Adviser.** Under its Investment Management Agreement, Global Financial Private Capital, LLC has discretionary authority to hire and fire Sub-Advisor(s), which will manage the investments in your designated account on a discretionary basis in accordance with your stated investment objectives. Global Financial Private Capital, LLC has a Sub-Advisory Agreement in place with Aviance Capital Management, LLC, an affiliated SEC registered investment adviser firm. Global Financial Private Capital, LLC owns 28.8% of Aviance Capital Management.

**Sub-Account Management Services.** Global Financial Private Capital, LLC may be engaged to manage your variable annuity or variable life contract by selecting, monitoring and exchanging, as appropriate, sub-accounts available from the insurance company issuing the variable annuity or variable life contract.

Please Note: Global Financial Private Capital, LLC's ability to select or modify your variable annuity or variable life contract shall be limited by the selections made available by the insurance company that issued your variable annuity or variable life contract.

Please Also Note. You will be responsible for notifying your investment adviser representative of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, your investment adviser representative will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives.

In the event that your investment adviser representative sold you the variable annuity and/or variable life contract in his separate capacity as a registered representative of a broker-dealer, your investment adviser representative most likely received commission and/or trail compensation for this transaction. This sales compensation is separate from and in addition to any investment advisory fee charged by Global Financial Private Capital, LLC. If your investment adviser representative received a commission for selling you a variable annuity or variable life contract, Global Financial Private Capital, LLC will not accept your variable annuity or variable life contract for management until it has been at least two years from the date of such sale.



**Private Investment Funds.** Global Financial may provide investment advice regarding unaffiliated private investment funds. Global Financial's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Global Financial calculating its investment advisory fee. Global Financial's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that Global Financial references private investment funds owned by the client on any supplemental account reports prepared by Global Financial, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**REITs** Global Financial may provide advice regarding real estate investment trusts (REITs) and real estate partnerships. Some of the REITS that are the subject of Global Financial's advisory services are not publicly traded. In other words, the lack of an active secondary market for the sale of such REITs can limit a client's ability to dispose of such investments in a timely manner and at an advantageous price. Consequently, a client should exercise caution to avoid over-concentration of their assets in these illiquid investments.

It is likely the price of a REIT listed on your account statement provided by a custodian only reflects the original purchase price and does not reflect any price or value from a secondary market, a repurchase offered by the sponsor or the book value. It is possible that the actual value of the REIT on a secondary market or through a repurchase by a sponsor is significantly less than the original purchase price shown on the account statement provided by the custodian. To the extent that an alternative investment such as a REIT is included in your program, the alternative investment may be subject to an asset management fee by Global Financial, which will be based upon percentage of the current redemption value set by the sponsor for the alternative investment that does not necessarily reflect the actual value of the alternative investment. Please refer to your investment advisory agreement with Global Financial for more details.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage Global Financial on a non-discretionary investment advisory basis **must be willing to accept** that Global Financial cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Global Financial will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

**Independent Managers.** Global Financial Private Capital, LLC may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated assets. Global Financial Private Capital, LLC shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Global Financial Private Capital, LLC shall consider in recommending Independent Manager[s] include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Trade Errors.** Global Financial Private Capital, LLC has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is the policy of Global Financial Private Capital, LLC to correct trade errors in a manner that is fair to the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client will not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by Global Financial Private Capital, LLC if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. The trade will be moved to an error account and will be dealt with at the discretion of the broker dealer.

**Client Obligations.** In performing its services, Global Financial Private Capital, LLC shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Global Financial Private Capital, LLC if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Global Financial Private Capital, LLC's previous recommendations and/or services.

**Disclosure Statement.** A copy of Global Financial Private Capital, LLC's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, simultaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

Global Financial shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). Global Financial shall allocate each client's investment assets consistent with their

designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on Global Financial's services.

Please Note: There is no material difference between how Global Financial manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a client determines to engage Global Financial on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody) (*See* Item 4.A). The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage Global Financial on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody).

### **Performance Based Fees and Side-By-Side Management**

Neither Global Financial nor any supervised person of Global Financial accepts performance-based fees.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

The following are methods of analysis that Global Financial and our affiliated Sub-Advisor, Aviance Capital Management, LLC, may utilize in providing investment advice.

**Fundamental Value** - A method of evaluating a security by attempting to measure the intrinsic value of a security by examining related economic, financial and other qualitative and quantitative factors. Fundamental Value analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental value analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security. If, in the opinion of our affiliated Sub-Advisor, the security is undervalued compared to its market price, and in the absence of other negative information, Aviance Capital Management, LLC may consider the security for selection. In our opinion, this evaluation method, when used in conjunction with additional research, may provide an element of protection against significant loss of value. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, Aviance Capital Management, LLC uses this method of valuation for a wide range of securities. We also call this technique "Value at a Reasonable Price" (VARP).

**Fundamental Growth** - A method of evaluating a security by attempting to measure the intrinsic growth potential of a security relative to the growth expectations already contained in the current price. The end goal of performing fundamental growth analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security. If, in our opinion, the security is undervalued compared to our expectation of growth, and in the absence of other negative information, we may consider the security for selection. In our opinion, this evaluation method, when used in conjunction with additional research, may provide an element of protection against significant loss of value. Fundamental analysis

is about using real data to evaluate a security's value. We also call this technique "Growth at a Reasonable Price" (GARP).

**Asset Allocation**— Global Financial believes that focusing on the sector, geographical region and asset class to which assets are allocated play a more significant role in the potential for portfolio out performance than focusing on the merits of individual securities. Our cyclical analysis and our individual security analysis inform our asset allocation decisions.

**Diversification**— In most cases, Global Financial's affiliated Sub-Advisor, Aviance Capital Management, LLC, attempts to create comprehensively diversified portfolios as a means to reduce the risks associated with concentrated portfolios. Moreover, a variety of funds, including Exchange Traded Funds, may be used to further diversify investment risk. It should be noted that while diversification seeks to reduce risk, a properly diversified portfolio will normally contain positions which will perform at variance to other positions.

**Active Management**— During times where the economic and geopolitical news and outlook has the potential for dramatic change, Global Financial's affiliated Sub-Advisor, Aviance Capital Management, LLC, will actively manage portfolios in an attempt to benefit from, or protect against, those volatile movements. In general, our portfolios may not be suitable for investors who require a very low trading activity (buy-and-hold) through all market conditions.

**Cyclical**- Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

#### **Investment Strategies When Managing Assets and/or Providing Investment Advice**

Under its asset management services, Global Financial has discretionary authority to hire/fire Sub-Advisor(s) who manage your designated accounts. As a Sub-Advisor under the asset management program, Global Financial's affiliated Sub-Advisor, Aviance Capital Management, LLC, utilizes the investment principal of actively allocating capital to the most attractive asset classes, while avoiding the least attractive. Aviance Capital Management, LLC tracks economic and market conditions, indicators and trends while adapting to changing conditions. Aviance Capital Management, LLC creates diversified asset classes and regions in an effort to find attractive risk adjusted opportunities. The frequent trading of securities may have a positive or negative impact on investment performance. Performance from active trading can be lowered due to an increase in brokerage and other transaction costs.

#### **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss.

Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Our portfolios are designed for investors who are able to hold the investment for one or more years. Investors should be able to accept price volatility during this period, the level of which should match the stated risk tolerance of the respective investor.

Under our asset management services, DIAS and DIAS Lite portfolios are designed to meet stated investment objectives based on your Investment Policy Statement (IPS). The portfolios are not designed to match equity market returns during strong rallies. Although the portfolios seek low volatility and principal protection, asset allocation decisions may not achieve these goals in all cases. There is no guarantee a portfolio will meet a target return or investment objective. Investments in bonds involve interest rate and credit risk. Bond values change according to changes in interest rates, inflation, credit climate and issuer credit quality. Interest rate rises will reduce the value of a bond. Although longer term bonds may pay more income, their value is more susceptible to interest rate variation than shorter term, lower yield bonds. Stock markets and individual stocks may be subject to large price fluctuations.

Diversification cannot guarantee to protect an investor from these fluctuations. The use of indexed funds is not fully guaranteed to track an intended market and may carry additional 'product' risks.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

ETF and Mutual Fund Risk – When our Sub-Advisor invests in a an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs. The Sub-Advisor may, at its discretion, invest in leveraged ETFs which provide two or three times the exposure to a stated index or asset class. These ETFs may be held for periods longer than one week.

Management Risk – Your investment with our firm varies with the success and failure of our Sub-Advisor's investment strategies, research, analysis and determination of portfolio securities. If our Sub-Advisor's investment strategies do not produce the expected returns, the value of the investment will decrease.

Alternative Investments - Our portfolio holdings are typically traded on U.S. exchanges; however, Non-U.S. investments, currency and commodity investments may contain additional risks associated with government, economic, political or currency volatility.

Emerging Markets - Where justified by the investment analysis outlined above, investment either indirectly or directly in emerging markets may be included in a portfolio. Emerging markets can experience high volatility and risk in the short term.

Currently, Global Financial primarily allocates client investment assets among various Sub-Advisors that may utilize individual equity (stocks), debt (bonds), and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

As disclosed above, Global Financial may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Global Financial, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Voting Client Securities.** Global Financial does not vote client proxies. However, certain client accounts may be sub-advised by Aviance Capital Management, LLC, an affiliated investment adviser firm. Unless a client, who's account is being sub-advised by Aviance Capital Management, LLC, directs otherwise in writing, Aviance Capital Management, LLC shall be responsible for voting those clients' proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). Aviance Capital Management, LLC shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. With respect to investment companies (e.g., mutual funds), Aviance Capital Management, LLC may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Aviance Capital Management, LLC shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Aviance Capital Management, LLC voted on any specific proxy issue is also available upon written request.

## **Item 7            Client Information Provided to Portfolio Managers**

Global Financial shall be the Program's portfolio manager. Global Financial shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). Global Financial shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on Global Financial's services.

As indicated above, each client is advised that it remains his/her/its responsibility to promptly notify Global Financial if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Global Financial's previous recommendations and/or services.

To the extent the Program utilizes *Independent Manager[s]*, Global Financial shall provide the *Independent Manager[s]* with each client's particular investment objective(s). Any changes in the client's financial situation or investment objectives reported by the client to Global Financial shall be communicated to the *Independent Manager[s]* within a reasonable period of time.

## **Item 8            Client Contact with Portfolio Managers**

The client shall have, without restriction, reasonable access to the Program's portfolio manager.

## **Item 9            Additional Information**

- A. Global Financial has not been the subject of any disciplinary actions.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

**Registered Representatives of GFIS.** As disclosed above in Item 5.E, certain of Global Financial's representatives are registered representatives of GFIS, an affiliated SEC Registered and FINRA member broker-dealer. Clients may choose to engage certain of Global Financial's representatives, in their individual capacities as registered representatives of GFIS, to effect securities brokerage transactions on a commission basis.

**Licensed Insurance Agents.** Global Financial does not engage in the sale of insurance products to advisory clients. However, certain of Global Financial's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. Clients can engage certain of Global Financial's representatives to purchase insurance products on a commission basis. Any activity by your investment adviser representative as an insurance agent is separate from and outside of his or her role on behalf Global Financial. You should understand the following:

- Global Financial does **not** serve as an insurance agency for your investment adviser representative to offer fixed insurance, fixed annuities or fixed indexed annuities;
- Global Financial does **not** conduct due diligence of the fixed insurance, fixed annuities or fixed indexed annuities offered by your investment adviser representative in his or her separate capacity as an insurance agent; and
- Global Financial does **not** review, approve nor supervise your investment adviser representative's recommendations as an insurance agent to hold, purchase or sell/surrender fixed insurance, fixed annuities or fixed indexed annuities.

**Conflict of Interest:** The recommendation by Global Financial's representatives that a client purchase a securities or insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Global Financial's representatives. Clients are reminded that they may purchase insurance products or securities recommended by Global Financial through other non-affiliated broker-dealers or insurance agents. Global Financial's Chief Compliance Officer, Timothy Lyle, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

**Affiliated Investment Adviser Firm.** Michael J. Dixon is the chief executive officer of both Global Financial and Aviance Capital Management, LLC, an affiliated SEC registered investment adviser firm. Mr. Dixon has an ownership of greater than 25% in both Global Financial and Aviance Capital Management, LLC. Certain of Global Financial's representatives are also investment advisory representatives of Aviance Capital Management, LLC. Global Financial has engaged Aviance Capital Management, LLC as a Sub-Advisor(s) to provide investment advisory services to Global Financial's clients.



Aviance Capital Management, LLC may charge an investment advisory fee separate from and in addition to the investment advisory fee charged by Global Financial, and there may be other third-party managers which may offer similar sub-advisory services for a fee which is more or less than charged by Aviance Capital Management, LLC.

**Dually Licensed Investment Advisor Representatives.** Certain investment adviser representatives of Global Financial may also be dually registered as investment adviser representatives of their own independently registered investment adviser firms. Under such circumstances, Global Financial may receive referrals from the dually registered investment adviser representative to provide asset management services. The referring investment adviser representative may continue to provide financial planning services under his or her own independently registered investment adviser firm. Clients are not obligated to use the services of Global Financial or the referring investment adviser representative's independently registered investment adviser firm. However, if the client choose to do so, the client should be aware that Global Financial does not review or supervise the financial planning services provided by the adviser representative in this separate capacity through their independently registered investment adviser firm; the independently registered investment adviser firm providing the financial planning services is solely responsible for these services and the advisory fees charged. Global Financial will supervise only our asset management services. This dual registration of an investment adviser representative with Global Financial and the independently registered investment adviser firm creates a conflict of interest. .

**Outside Money Managers.** Global Financial is compensated for our referral activities to outside money managers in the form of marketing or referral fees paid by the outside money manager directly to Global Financial. The exact compensation arrangement will vary depending on the arrangement with the outside money manager. However, Global Financial is usually paid a marketing or referral fee based on a portion of the management fees charged by the outside money manager to clients introduced to the outside money manager by Global Financial.

The portion of the management fee paid to Global Financial may reach as high as 50% of the overall fee received by the outside money manager. Fees paid to Global Financial may be in the form of a sliding fee schedule that increases as the amount of assets originally referred by Global Financial to the outside money manager increases. For example, Global Financial could receive a higher percentage of the overall fee from the outside money manager as assets to the outside money manager increase.

When Global Financial refers you to an outside money manager, Global Financial will provide proper disclosure of the arrangement to you. Disclosure will be made at the time of solicitation and will include a description of Global Financial's arrangement with the outside money manager and a description of the compensation arrangement. Global Financial will also provide to you a copy of the outside money manager's disclosure brochure.

Global Financial and your investment adviser representative have a conflict of interest by marketing and referring only those outside money managers that have agreed to pay a portion of their management advisory fee or a fixed fee to Global Financial. There may be other third-party managed programs, offerings and platforms that may be suitable for you that may be more or less costly.

**B. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS  
AND PERSONAL TRADING**

Global Financial maintains an investment policy relative to personal securities transactions. This investment policy is part of Global Financial's overall Code of Ethics, which serves to establish a standard of business conduct for all of Global Financial's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Global Financial also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Global Financial or any person associated with Global Financial.

Neither Global Financial nor any related person of Global Financial recommends, buys, or sells for client accounts, securities in which Global Financial or any related person of Global Financial has a material financial interest.

Global Financial and/or representatives of Global Financial *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Global Financial and/or representatives of Global Financial are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Global Financial did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Global Financial's clients) and other potentially abusive practices.

Global Financial has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Global Financial's "Access Persons." Global Financial's securities transaction policy requires that an Access Person of Global Financial must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Access Persons are also required to provide a list of their outside brokerage accounts and set up each outside brokerage account to provide duplicate statements directly to Global Financial's Chief Compliance Officer. Global Financial's internal compliance reviews each confirmation of trade statement as well as each monthly report received from the Access Person's outside brokerage account(s). Additionally, each Access Person provides the Chief Compliance Officer or his/her designee with a written attestation confirming/identifying each one of the Access Person's current outside brokerage accounts.

Global Financial and/or representatives of Global Financial *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Global Financial and/or representatives of Global Financial are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Global Financial has a personal securities transaction policy in place to monitor the

personal securities transaction and securities holdings of each of Global Financial's Access Persons.

### **REVIEW OF ACCOUNTS**

For those clients to whom Global Financial provides investment supervisory services, account reviews are conducted on an ongoing basis by the client's investment advisor representative. All investment supervisory clients are advised that it remains their responsibility to advise their investment adviser representative and Global Financial of any changes in their investment objectives and/or financial situation. Global Financial encourages you to request a review with your investment adviser representative to discuss such things as account performance, changes in the client's investment objectives, goals, and financial situation, tax planning, estate planning, retirement planning and any other questions the client may have concerning their investment portfolio. If you only receive financial planning services from Global Financial, you may be charged a separate fee for meetings with your investment adviser representative. You should read carefully the agreement with Global Financial to determine the amount of such separate fees, if any on an annual basis.

Global Financial *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Global Financial may also provide a written periodic report summarizing account activity and performance.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

Global Financial may receive an indirect economic benefit from *Fidelity*. Global Financial, without cost (and/or at a discount), may receive support services and/or products from *Fidelity*.

Global Financial's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by Global Financial to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

If a client is introduced to Global Financial by either an unaffiliated or an affiliated solicitor, Global Financial *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Global Financial's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Global Financial by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Global Financial's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement.

between Global Financial and the solicitor, including the compensation to be received by the solicitor from Global Financial.

**Outside Money Managers.** Global Financial and our supervised persons may refer clients to outside money manager such for advisory services not provided by Global Financial. Global Financial and these outside money managers are not affiliated. When Global Financial solicits clients for outside money managers, Global Financial receives compensation for those referrals.

Certain outside money managers that Global refers clients to may use Global Financial on a separate basis to provide trading, billing and other administrative and/or back-office services. In return for these administrative and back-office services, and in addition to the fee paid the outside money manager to Global Financial for referring clients, Global Financial may also receive an administrative fee from the outside money manager at the annual rate of 1% of those accounts subject to the administrative and/or back-office services of Global Financial.

Global Financial is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

Global Financial has not been the subject of a bankruptcy petition.

**ANY QUESTIONS:** Global Financial's Chief Compliance Officer, Timothy Lyle, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.