

Part 2A of Form ADV: Firm Brochure

Gyroscope Capital Management Group, LLC

999 Vanderbilt Beach Rd  
Naples, FL 34108

Telephone: 866-332-0440

Email: [mjegan@moorscabot.com](mailto:mjegan@moorscabot.com)

Web Address: [www.gyroscopecapitalmanagement.com](http://www.gyroscopecapitalmanagement.com)

09/02/2014

This brochure provides information about the qualifications and business practices of Gyroscope Capital Management Group, LLC. If you have any questions about the contents of this brochure, please contact us at 239-449-7999. 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 Gyroscope Capital Management Group, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 142672.

## Item 2      Material Changes

This Firm Brochure, dated 09/02/2014, contains the following information not disclosed within the previous version dated 03/13/2014:

- GCMG is now a registered RIA with the SEC as of 06/20/2014.
- GCMG's assets under management as of August 31, 2014 is provided.
- Section 19 Requirements for State-Registered Advisors has been removed.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Item 3	Table of Contents	Page
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	7
Item 6	Performance-Based Fees and Side-By-Side Management	9
Item 7	Types of Clients	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9	Disciplinary Information	11
Item 10	Other Financial Industry Activities and Affiliations	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Item 12	Brokerage Practices	12
Item 13	Review of Accounts	15
Item 14	Client Referrals and Other Compensation	15
Item 15	Custody	16
Item 16	Investment Discretion	16
Item 17	Voting Client Securities	17
Item 18	Financial Information	17

## Item 4      Advisory Business

Gyroscope Capital Management Group, LLC (GCMG) offers various Portfolio Advisory Services. As an SEC registered investment adviser, GCMG specializes in Covered Call Transition Strategies, Optimized Listed Options™ (OLO™), and Large Capitalization equity and ETF portfolios with an option overlay. GCMG is located in Naples, Florida and began conducting business in 2006. Mr. Michael J. Egan is the company's principal owner.

GCMG has partnerships with some of the leading independent broker/dealers to provide their services and investing strategies to clients. Clients are provided an investment team with over 50 years experience in the investment industry. The team meets weekly to review portfolios and discuss market strategies. Our approach to investing is to provide clients with quality investment advice and utilize our knowledge of the option market to enhance returns.

Clients may impose restrictions regarding investing in certain securities or types of securities. Clients can inform the investment advisor by email, letter or verbal instruction.

Gyroscope does not participate in wrap fee programs and does not differentiate how client accounts are managed nor receive a portion of fees from wrap fee programs.

### FINANCIAL PLAN BASED INVESTING

With an intuitive investing approach, GCMG uses a comprehensive Financial Plan Based methodology to construct a fully diversified portfolio that meets the strategic life goals of clients. Each client's strategic components work in collaboration of each other to provide a framework for making suitable financial decisions. In addition, our customized process also helps to assure clients of personal attentiveness and financial stability.

Comprehending the uniqueness of each client's financial concerns (retirement goals, children's education, estate planning, and survivorship needs etc.) and abating inappropriate risks through proper diversification is a cornerstone of GCMG's Financial Plan Based Investing.

### COVERED CALL TRANSITION STRATEGY

The Covered Call Transition Strategy may be suitable for investors who would like a disciplined approach to gradually selling their concentrated stock at a price above the current market price while enhancing income.

The strategy has two parts:

1. Tactical sales of covered call options are used to generate income on the client's concentrated stock position. As the concentrated stock price increases, the client delivers stock on a regular, disciplined basis, thus selling at successively higher

prices

2. Proceeds from the sale of calls and stock are invested in a separate account as determined by an advisor to diversify a client's portfolio.

Over an agreed upon period of time (e.g., 2 to 3 years), the concentrated position is liquidated via deliveries on call options.

## OPTIMIZED LISTED OPTION™ STRATEGY (OLO™)

The Optimized Listed Option™ Strategy may be appropriate for clients seeking protection on their concentrated stock position. GCMG's initial step is to determine the client's investment objectives such as:

1. Maximum downside protection OR
2. Create a specific amount of upside OR
3. Create a credit to suffice the advisory fee

GCMG drafts an account-specific Investment Policy Statement on the client's needs and the OLO™ strategy. This proposal will determine how GCMG will proceed at settlement and relieve the client from being contacted at each option expiration.

## PORTFOLIO STRATEGY

Gyroscope specializes in structuring and implementing strategies which can:

1. Enhance current income within a U.S. large capitalization equity portfolio
2. Provide clients with choices of dividend or growth oriented portfolios

Clients often invest in equity portfolios to diversify and enhance returns. Two popular investment objectives are a dividend oriented or growth oriented portfolios.

GCMG's *Dividend Income* (U.S. large capitalization) portfolio seeks current income and price appreciation and invests in stable companies with proven performance over the past five to ten years. Our *Growth* (U.S. large capitalization) portfolio invests in stocks with a greater degree of investment risk seeking a higher price appreciation. The *Optimal Weight* portfolio assigns the most advantageous proportions to the portfolio's S&P sector ETF components in efforts to position the portfolio to benefit from sector price appreciation.

These strategies allow the client to maintain a diversified portfolio while enhancing current income. Cash investments are limited to the initial investment in the portfolios.

The portfolio strategy has three parts:

1. Investment in a stock or ETF portfolio as outlined above.
2. Tactical sales of covered call options are used to generate income on the client's concentrated stock or EFT position. As the price of each stock or ETF in the portfolio rises, the client delivers each position on a regular, disciplined basis,

thus selling at successively higher prices.

3. Proceeds from the sale of calls and stock and ETFs are re-invested in the same account, or can be withdrawn by the investor.

The *Low Volatility* (U.S. Large Capitalization) portfolio invests in stocks that exhibit low Beta (vs. S&P 500) and 12-month volatility in attempts to diminish the effect that volatility can have on the value of a portfolio. This is a buy and hold strategy with some diversification towards the S&P 500.

## SEPARATELY MANAGED ACCOUNTS

GCMG's *Covered Call Transition Strategy*, *Optimized Listed Option™ Strategy*, and *Dividend Income, Growth, Optimal Weight and Low Volatility* Portfolio Investment Strategies can also be accessed through the separately managed account platform offered by Mount Yale Investment Advisors, LLC, an SEC registered investment adviser. Gyroscope acts as sub-advisor on these accounts and transactions are executed by GCMG and Mount Yale through Fidelity Brokerage Services, LLC and Charles Schwab & Co., Inc.

## FINANCIAL PLANNING SERVICES

We offer fee-based financial planning services. The service may include the following (which are selected by a client receiving the service):

- Written evaluation and analysis of information provided related to investment goals, objectives and current financial circumstances
- Analysis / recommendations related to tax planning, estate planning, investment planning, educational funding, retirement planning, and risk management (insurance)

In providing these services, we do not provide legal or tax or accounting advice. Please seek out your other professionals for that advice (attorney, CPA). We may, but are not obligated to engage the services of outside consultants in the determination of or the delivery of your financial planning services, or the engagement.

Planning services generally are provided by those of our employees (investment adviser representatives) who are expected to possess additional specialized training and experience. However, no representations are made as to the qualifications or experience of our employees or the consultants we may use on your behalf.

In providing financial planning services we gather information by asking you to provide a complete personal, family and financial picture for us to work with. We do this by conducting in-depth personal interviews. Information gathered include your current financial status, tax status, future goals, return objectives and attitudes towards risk. Our financial plan recommendations are not limited to any specific product or service offered by or through GCMG or any of our representatives.

## ASSETS UNDER MANAGEMENT

As of August 31, 2014, Gyroscope had \$127,732,166 in customer assets under management, \$112,843,351 of which are managed on a discretionary basis.

### Item 5 Fees and Compensation

GCMG generally charges management fees according to the following schedules:  
Managed Accounts – Annual management fee of 2.00% for the first \$5,000,000 net value under management, and 1.50% for amounts in excess of \$5,000,000 net value under management;

GCMG may negotiate its fee arrangements, and some clients may be charged fees lower than those reflected above.

Financial planning services are included with the management fee of client accounts. GCMG does not charge additional expenses for financial planning.

Lower fees for comparable services may be available from other sources.

## BROKER DEALER EXPENSES

In addition to the Company's management fee, a client may incur brokerage commissions and/or transaction fees from Moors & Cabot (M&C), GCMG's broker/dealer affiliate, for effecting securities transactions. Please consult your advisory agreement for a schedule of commission/transaction fees that apply to your account.

## FEE PAYMENT SCHEDULE & TERMINATION

Management fees are billed on a quarterly basis in advance. When an account is opened, the management fee is billed for the remainder of the quarter and is based on the month end value of the account in the month it is funded. Thereafter, the quarterly fee is based on the market value of the account on the last business day at the end of the previous quarter and becomes due the first day of the new quarter. Unless otherwise agreed to by GCMG and the client, an Investment Advisory Agreement will provide that the Company's management fee be deducted directly from the client's account.

Either party may terminate the Investment Advisory Agreement at any time without penalty. Upon termination, the client will receive a refund for a pro-rated portion of the prepaid management fee. If a client chooses to terminate the agreement within 5 business days of signing, the client will be entitled to a full refund.

TRANSACTION FEE SCHEDULE (for accounts held with First Clearing, LLC as clearing firm and transactions processed through Moors & Cabot as broker dealer).

In addition to the quarterly management fee, a transaction fee will be calculated for each trade in accordance with the following schedule:

Equity - \$12.00 per trade

Fixed Income - \$10.00 per trade

Options - \$12.00 minimum or \$1.00 per contract (whichever is greater)

Mutual Funds - \$10.00 per trade

More information regarding brokerage services can be found in **Item 12 Brokerage Practices**.

## COMMISSION ONLY

GCMG Representatives may also manage client accounts on a discretionary basis and receive commission compensation only (including 12b-1 service and marketing fees.) GCMG's personnel are also registered representatives with Moors & Cabot, Inc. Representatives may negotiate commission rates with individual clients (12b-1 fees are disclosed in mutual fund prospectuses). This fee arrangement creates an incentive for a Representative to generate commissions in an account pursuant to its discretionary authority, or select funds with 12b-1 fees or higher 12b-1 fees than otherwise available. In certain periods, the total commission levels or 12b-1 fees may exceed other types of advisory fees offered by Gyroscope, or other advisors. In a certain time period, commissions and 12b-1 fees may not equal, i.e., may be lower, than the standard fee based arrangement of GCMG's Portfolio Management Program. However, during other periods the total commissions or 12b-1 fees may exceed such fees otherwise available to clients as an advisory fee. The total level of fees will depend on the commission rate, 12b-1 fees paid by mutual funds in client accounts, and portfolio turnover within a client's account. Periods of higher market volatility and other market conditions may result in increased portfolio turnover and the level of commissions under this arrangement may vary based on the investment strategy of a client's own individual Representative.

Clients who elect discretionary management services by a Representative for commission costs only, thereby directs GCMG to execute all transactions through Moors & Cabot or its affiliate's brokerage services. Representatives will not consider other brokers for trade execution in such accounts. Clients should understand that by directing brokerage to the Moors & Cabot Representative that best execution may not be achieved and commission rates may be higher than those offered by other brokers.

Commission only services present a conflict of interest and gives GCMG an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Commission only services are only entered into at the client's bequest as an alternative to advisory fees. Clients have the option to purchase investment products that GCMG recommends through other brokers or agents that are not affiliated with GCMG.

Commission only services are not a main practice of the firm. If mutual funds are recommended in a fee-based account, no load funds are recommended or any



commissions received are rebated to the client versus their advisory fees.

## SEPARATELY MANAGED ACCOUNTS

GCMG charges an Investment Manager fee of 75 bps for Separately Managed Accounts unless negotiated differently with the platform manager. Investment Manager fees are paid to GCMG when it acts as sub-advisor or Separate Account Manager to an Investment Advisor.

Investment Manager fees are billed on a quarterly basis in advance. When an account is opened, the management fee is billed for the remainder of the quarter and is based on the funding value of the account as given by the platform manager at funding.

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

GCMG does not charge performance-based fees.

## Item 7 Types of Clients

GCMG provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Corporations or other businesses

GCMG does not have a minimum client net worth or account size.

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis: We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall

market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis: We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

## INVESTMENT STRATEGIES

Investing in securities involves risk of loss that clients should be prepared to bear. We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases: we purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases: when utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase. This may also result in higher commission fees and taxes.

Option writing: we may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.

A put gives us the holder the right to sell an asset at a certain price within a

specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We may also purchase "protective puts", in which the client pays a premium for the ability to sell the underlying security at a specific price if the security loses market value.

Short sales: a market transaction in which an investor sells borrowed securities in anticipation of a price decline and is required to return an equal number of shares at some point in the future.

The payoff to selling short is the opposite of a long position. A short seller will make money if the stock goes down in price, while a long position makes money when the stock goes up. The profit that the investor receives is equal to the value of the sold borrowed shares less the cost of repurchasing the borrowed shares.

Margin transactions: or 'buying on margin' is borrowed money that is used to purchase securities. Buying on margin refers to the initial or down payment made to the broker for the asset being purchased. The collateral for the funds being borrowed is the marginable securities in the investor's account. Before buying on margin, an investor needs to open a margin account with the broker. In the U.S., the amount of margin that must be paid for a security is regulated by the Federal Reserve Board.

## Item 9      Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## Item 10      Other Financial Industry Activities and Affiliations

Mr. Egan is a registered representative with Moors & Cabot, Inc. (M&C). Moors and Cabot is a broker/dealer and SEC Registered Investment Advisor. Moors & Cabot is a Member of the New York Stock Exchange and FINRA. M&C does not provide recommendations, nor provide incentives for GCMG representatives to sell certain products. If a conflict of interest were to arise, it would be disclosed to clients.

## Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

GCMG's Code of Ethics ("Code") has been adopted and is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act").

This Code establishes rules of conduct for all employees of GCMG and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that GCMG and its employees owe a fiduciary duty to GCMG's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by GCMG continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

A full copy of GCMG's Code of Ethics will be provided to any client or prospective client upon request.

GCMG, its affiliates or employees may recommend securities in which they directly or indirectly have a financial interest including buying and selling securities for their own accounts which they recommend for purchase or sale for advisory clients. The firm may also give advice and take action in the performance of their duties to clients which differ from the advice given, or the timing and nature of action taken, with respect to other client's accounts.

Additionally, the firm and its affiliates or employees may not be free to divulge or act upon certain information in their possession on behalf of investment advisory or other clients.

GCMG has provided the client with any material conflicts of interest.

A conflict of interest is any activity or relationship in which GCMG 's interests compete with the interests of its clients:

- Self-interest is often an element in the conflict, in which the self-interest could clash with the client's interest
- Conflicts may involve divided loyalty and self-dealing

Conflicts are inherent in the investment advisory business. GCMG shall identify conflicts of interest that arise from time to time and address them.

GCMG will take the following steps to identify conflicts of interest:

- Testing
- Interviewing key personnel
- Reviewing financials
- Reviewing employee e-mails

After identifying conflicts, GCMG shall:

- Assess the nature and severity of the conflicts;
- Take steps to eliminate, reduce, monitor or otherwise manage the conflicts;
- Periodically assess the effectiveness of its conflicts management process; and
- Ensure conflicts are properly disclosed to clients and where necessary obtain client consent to proceed with the activities that create the conflict.

From time to time, an Adviser Representative of GCMG may have a conflict of interest when making an investment recommendation to a client, including any benefits he or she, or GCMG, receives from a third party. When a particular investment recommendation creates a conflict of interest, an Adviser Representative will:

- cause GCMG to fully disclose the nature and extent of his or her interest prior to the transaction, including any direct or indirect compensation the Adviser Representative or GCMG receives in connection with the transaction; and
- make the recommendation only if he or she has a reasonable

## Item 12 Brokerage Practices

GCMG will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts.

Block trading may allow for execution of equity trades in a timelier, more equitable manner, at an average share price. GCMG's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with GCMG, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable GCMG to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) GCMG's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on GCMG's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

Notes: Employees participating in the block trade will never get a higher price, when selling, or a lower price, when buying, than the client. All trades are cross-checked the following day to ensure proper execution. If a client did receive a different price than another client, the problem is corrected to give each client the average price.

GCMG's advisors are registered representatives of Moors & Cabot, Inc (M&C). For client accounts held with First Clearing LLC as custodian, M&C requires that GCMG use M&C to effect these trades. The transactions costs associated with using a specific broker dealer may be higher than those of on-line discount brokers but are not unreasonable in cost. Partnership with M & C as broker-dealer has allowed GCMG to reduce other costs for services such as operations, compliance, office space, etc which in turn is reflected in advisory fees charged to clients. Brokerage commissions are discounted for advisory clients and advisory clients do not pay for both investment advice and full service brokerage commissions.

## Item 13      Review of Accounts

REVIEWS: The Investment Advisory Representative is responsible for the review of managed accounts on an ongoing basis. Primary responsibility for the supervision of these accounts lies with the Representative and his or her branch office manager. GCMG's President will conduct a telephone or in person review of clients account with client on at least an annual basis.

## Item 14      Client Referrals and Other Compensation

We pay third parties who introduce investment adviser clients to GCMG. Such client referral agreements are entered into by the third party and Moors and Cabot, Inc. (M&C), with GCMG acting as sub-advisor. These third parties may be employees of GCMG or individuals or business entities not associated in any way with GCMG. We will pay these third parties a portion of the advisory fees (including commissions, if the only fee paid is commissions, see Item 5, in which case the solicitor would be required to be licensed as a securities broker). Compensation payable may be direct or indirect by payments to the broker dealer or investment adviser (or other entity) with whom the individual solicitors are employed.

As a result, due to these various arrangements, fees paid by clients may differ from the prevailing rates as disclosed under Item 5. This means that we have a conflict of interest in negotiating fees with you, or we may raise fees to include the compensation that we pay to the firm or person (or both) who introduce to us as a client.

Of course solicitation fees will be paid as negotiated:

- Initially, as a one-time payment (either a fixed fee or percentage of initial deposit / fee
- On a continual basis for as long as the client stays a client of M&C
- A percentage of the first 12 months of advisory fees we charge and are paid among others

Cash referral fees are paid in compliance with the Cash Solicitation Rule under the Investment Advisers Act of 1940, under this Rule:

There is a written agreement between each solicitor and M&C; in this agreement are numerous representations, including:

- That neither party is a disqualified entity (through certain limitations on disciplinary events)
- The states the solicitor can solicit in and their requirement to be appropriately registered as an investment adviser or investment adviser representative of a registered investment adviser
- The requirement that each solicitor needs to deliver M&C's Form ADV Part 2 A to each solicited client at the time of solicitation, and

- The solicitor's disclosure brochure (originally signed) which contains specific disclosures under the Rule (including the fee paid by M&C to the Solicitor (and whether we raise our fees for clients introduced by a solicitor)
- For solicitors who are employees of M&C (as IARs / RRs), we require the written agreement, however, the disclosure brochure is not required (verbal disclosure is adequate)
- Among other requirements under the Rule

## Item 15 Custody

GCMG does not have actual custody of client accounts. GCMG utilizes third-party custodians for account reconciliation and reporting. GCMG does have the ability to deduct advisory fees directly from client accounts which may be deemed constructive custody in some states. GCMG follows all applicable state rules when required.

Clients will receive statements directly from the custodian and they should review these statements carefully.

## Item 16 Investment Discretion

For discretionary clients, GCMG requests that it be provided with written authority to determine the securities and amount of securities to be purchased in client accounts as part of the advisory agreement. The executed advisory agreement grants limited power of attorney to GCMG. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing. Representatives shall not have discretion to hire or fire unaffiliated advisers and managers for clients.

The Representatives' authority to purchase or sell securities for a discretionary account may be limited in accordance with any agreements entered between GCMG and the individual clients. Such limitations may by their very nature adversely impact the risk-reward level of a portfolio in order to gain a tax advantage or for the achievement of some other personal objective. It is the policy of the firm to honor such limitations absent extraordinary circumstances. The inclusion of such assets in a managed account may cause the client to incur management fees for a portion of their portfolio which is, in effect, not managed or not subject to the portfolio manager's discretion, expertise and judgment as to the wisdom of holding such securities. The decision by a client to retain certain assets may have an adverse impact on the amount of risk assumed by the client and may hinder the Representative's ability to properly manage the portfolio according to the stated objectives of the client.

Clients may impose limits in writing to GCMG regarding any amounts or concentration limits of the securities to be bought or sold for their account. These limitations must be included in the written authority provided by the client to GCMG.

GCMG generally finds it appropriate to utilize Moors & Cabot, Inc's execution services



for the purchase and sale of securities for its managed accounts, absent restrictions imposed by regulation or client concerns or designations. GCMG does reserve the right to utilize the transaction facilities of other broker dealers at favorable prices and reasonable execution costs. The best net price, giving effect to commissions and other costs, is an important factor in this decision, but a number of other judgmental factors are also important. These include knowledge of commission rates generally available; the nature of the security being traded; the size and complexity of the transaction; confidentiality; and the execution, clearance and settlement expertise of the parties. If a client's trade is executed at another broker dealer, client may be charged a principal mark-up or mark-down by the contra-party broker dealer.

GCMG and its affiliates may receive additional compensation from other firms which represents payments for order flow directed to such firms. Additional disclosure of such arrangements is furnished to the client.

GCMG and its affiliates do not engage in principal or "agency-cross" transactions for managed accounts. Transactions for advisory clients may be aggregated for execution purposes under appropriate circumstances. This practice will not ordinarily affect or otherwise reduce commissions or other costs incurred. Aggregated securities may be allocated among advisory clients and their respective accounts on a pro rata basis depending upon the size of the transaction or some other equitable procedure adopted. In any case, trade allocation procedures may result in certain clients paying higher or lower prices for securities than may otherwise have been obtained. If however, a security is trading in a very volatile fashion or the market is "fast", it may be in the best interest of all parties to participate in order aggregation in order to obtain timely and favorable execution.

## Item 17      Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clients will receive proxies from the custodian of the their account.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## Item 18      Financial Information

As an advisory firm that maintains discretionary authority for client accounts, we are

required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. GCMG has no additional financial circumstances to report.

GCMG has not been the subject of a bankruptcy petition at any time during the past ten years.