

# Disclosure Brochure

June 10, 2015



This brochure provides information about the qualifications and business practices of Galvin, Gaustad & Stein, LLC (hereinafter "GGS" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). GGS is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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## **Item 2.      Material Changes**

In this Item, GGS is required to discuss any material changes that have been made to the brochure since the last annual amendment filed February 20, 2015. While the format and general language of the brochure have been overhauled, no substantive changes have been made. As such, there are no material changes to disclose pursuant to this Item.

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## Item 4. Advisory Business

GGG is an independent registered investment adviser that is wholly owned by Stephen R. Galvin and Stephen L. Gaustad. Since 2010, the Firm has been providing its clients with a variety of advisory services, which include financial planning, pension consulting and the management of investments. Prior to the rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with GGS setting forth the relevant terms and conditions of the advisory relationship (the "Agreement").

As of December 31, 2014, GGS had \$402,391,101 assets under management, \$399,391,101 of which was managed on a discretionary basis and approximately \$3,000,000 was managed on a non-discretionary basis.

While this brochure generally describes the business of GGS, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on GGS' behalf and is subject to the Firm's supervision or control.

### Financial Planning Services

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GGG offers clients a range of financial planning services, which may include any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Asset Allocation
- Retirement Planning
- Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Needs Analysis
- Retirement Plan Analysis
- Charitable Giving
- Risk Management
- Distribution Planning

While each of these services is available on a stand-alone basis, certain of them may also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (as described below). In performing these services, GGS is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information.

GGG may recommend the services of itself, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage GGS to

provide additional fee-based services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by GGS under a financial planning engagement or to engage the services of any such recommended professionals, including GGS itself. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising GGS' previous recommendations and/or services.

### **Retirement Plan Consulting Services**

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GGS provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and may include any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning and Benefits
- Investment Management and Review
- Plan Fee and Cost Analysis
- Retirement Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Agreement, certain of the foregoing services are provided by GGS as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of GGS' fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

### **Wealth Management Services**

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GGS may provide clients with wealth management services which may include a broad range of financial planning services as well as discretionary and/or non-discretionary management of investment portfolios.

GGS primarily allocates client assets among individual debt and equity securities and exchange-traded funds ("ETFs"), in accordance with the investment objectives of its individual clients. On a more limited basis, the Firm allocates client assets among independent investment managers ("Independent Managers") and options, as well as the securities components of variable annuities and variable life insurance contracts. In addition, GGS may also recommend that clients who qualify as accredited investors, as defined by Rule 501 of the Securities Act of 1933, invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds). Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios.

Clients may also engage GGS to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, GGS directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

GGS tailors its advisory services to meet the needs of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. GGS consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other qualitative factors relevant to the management of their portfolios. Clients are advised to promptly notify GGS if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if GGS determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### **Sponsor / Manager of Wrap Program**

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GGS is the sponsor and manager of the Galvin, Gaustad & Stein Wrap Fee Program (the "Program"), which is an arrangement where brokerage commissions and transaction costs are absorbed by the Firm. Accounts managed through the Program are done so in substantially the same manner as those managed under a non-wrap arrangement. Additional information about the Program is available in GGS' Wrap Brochure, which appears as Part 2A Appendix 1 of the Firm's Form ADV.

### **Use of Independent Managers**

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As mentioned above, GGS may select certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager are set forth in a separate written agreement between the designated Independent Manager and either GGS or the client.

GGS evaluates various information about the Independent Managers it chooses to manage client portfolios, which may include the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. GGS also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

GGS continues to provide services relative to the discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by

Independent Managers. GGS seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

## Item 5. Fees and Compensation

GGS offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management. Additionally, certain of GGS' Supervised Persons, in their individual capacities, may offer securities brokerage services and insurance products under a separate commission arrangement.

### Financial Planning Fees

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GGS generally charges either a negotiable hourly and/or fixed fee to provide clients with stand-alone financial planning services. These fees are largely determined by the scope and complexity of the agreed upon services, generally \$300 on an hourly basis and up to \$10,000 on a fixed fee basis.

The specific terms and fee structure are negotiated in advance and set forth in the Agreement with GGS. Generally, GGS requires one-half of the financial planning fee payable upon execution of the Agreement and the balance due at the time the financial plan is delivered or the underlying services are rendered to completion, not to exceed six months. If the client engages GGS for additional investment advisory services, GGS may offset all or a portion of its fees for those services based upon the amount paid for the financial planning services.

### Fees for Wealth Management and Retirement Plan Consulting

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GGS provides wealth management and/or retirement plan consulting services for an annual fee based on the portfolio value of the assets under the Firm's management. The fee varies based on the following linear fee schedule:

PORTFOLIO VALUE	ANNUAL FEE
Up to \$250,000	1.40%
\$250,001 - \$500,000	1.25%
\$500,001 - \$2,500,000	1.00%
\$2,500,001 - \$5,000,000	0.80%
Above \$5,000,000	Negotiable

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by GGS on the last day of the previous billing quarter.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the change in portfolio value. For the initial term

of an engagement, the fee is calculated on a pro rata basis. In the event the Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the unearned portion is refunded to the client.

### **Fee Discretion**

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GGS, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and pro bono activities.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to GGS, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees charged by the Independent Managers, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Fee Debit**

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Clients generally provide GGS with the authority to directly debit their accounts for payment of the Firm's investment advisory fees. The Financial Institutions that act as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to GGS. Alternatively, clients may elect to have GGS send them an invoice for direct payment.

### **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to GGS' right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to GGS, subject to the usual and customary securities settlement procedures. However, GGS designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. GGS may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.



## **Commissions or Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with GGS (but not GGS) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with GGS.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Foothill Securities, Inc. ("Foothill Securities"), may provide securities brokerage services and implement securities transactions under a separate commission-based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to Foothill Securities, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. GGS may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with Foothill Securities. GGS does not receive any portion of the commissions or transactional fees charged by Foothill Securities.

A conflict of interest exists to the extent that GGS recommends the purchase of securities where GGS' Supervised Persons receive commissions or other additional compensation as a result of GGS' recommendations. GGS has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act ("ERISA") and such others that GGS, in its sole discretion, deems appropriate, GGS may provide its investment advisory services on a fee-offset basis. In this scenario, GGS may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by GGS' Supervised Persons in their individual capacities as registered representatives of Foothill Securities.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

GGS does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

GGS provides its services to individuals, pension and profit sharing plans, and corporations and other business entities.

### **Minimum Portfolio Size**

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As a condition for starting and maintaining an investment management relationship, GGS generally imposes a minimum portfolio size of \$500,000.

The Firm, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention and pro bono activities. GGS only accepts clients with less than the minimum portfolio size if, in the sole opinion of the Firm, the smaller portfolio size will not result in a substantial increase of investment risk beyond the client's identified risk tolerance. GGS may aggregate the portfolios of family members to meet the minimum portfolio size.

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

#### **Methods of Analysis**

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GGS utilizes a combination of fundamental, technical, and cyclical methods of analysis.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For GGS, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that GGS will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (entire market or economy) or micro (company specific) level, rather than focusing on the overall fundamental analysis of the health of the particular company that GGS is recommending. The risks with cyclical analysis are similar to those of technical analysis.

#### **Investment Strategies**

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GGS develops individual investment strategies based upon each client's specific risk profile and investment objectives. As discussed above, the Firm employs an analytical approach based upon fundamental, cyclical and technical methods of analysis. GGS generally seeks to target individual stocks and bonds, and ETFs, which are designed to achieve each client's stated goals.

## Risks of Loss

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### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

### *Market Risks*

The profitability of a significant portion of GGS' recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that GGS will be able to predict those price movements accurately.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted strike price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge against potential losses or to speculate on the performance of the underlying securities. Option transactions involve inherent risks, including the

partial or total loss of principal in the event that the value of the underlying security or index does not increase or decrease to the level of the respective strike price. Holders of option contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Use of Independent Managers*

GGG may recommend the use of Independent Managers. In these situations, GGS continues to do ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, GGS generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

## **Item 9. Disciplinary Information**

GGG has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

### **Registered Representatives of Broker Dealer**

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Certain of the Firm's Supervised Persons are registered representatives of Foothill Securities and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

### **Receipt of Insurance Commission**

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Certain of GGS' Supervised Persons, in their individual capacities, are licensed insurance agents with various insurance companies. When appropriate, these Supervised Persons may recommend the purchase of certain insurance products to advisory clients on a fully-disclosed commission basis. A conflict of interest exists to the extent that GGS and its Supervised Persons recommend the purchase of insurance products where the Firm and its Supervised Persons receive insurance commissions or other additional compensation. As a result GGS has procedures in place to ensure that any such recommendations are in the best interests of its clients.

## **Item 11. Code of Ethics**

GGG has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. GGS' Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material

non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of GGS' personnel (called "Access Persons") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, GGS Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by Access Persons to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client where there may be a potential for conflict, no Access Person may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the Access Person) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Access Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact GGS to request a copy of its Code of Ethics.

## Item 12. Brokerage Practices

GGS generally recommends that clients utilize the brokerage and clearing services of Pershing LLC ("Pershing") and Fidelity Institutional Wealth Services ("Fidelity") for investment management accounts.

Factors which GGS considers in recommending Pershing, Fidelity or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Pershing and Fidelity enable GGS to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Pershing and Fidelity may be higher or lower than those charged by other Financial Institutions.

The commissions paid by GGS' clients comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where GGS determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. GGS seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

GGS periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

The client may direct GGS in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by GGS (as described below). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, GGS may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless GGS decides to purchase or sell the same securities for several clients at approximately the same time. GGS may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among GGS' clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among GGS' clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that GGS determines to aggregate client orders for the purchase or sale of securities, including securities in which GGS' Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. GGS does not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment

guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, GGS may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist GGS in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because GGS does not have to produce or pay for the products or services.

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Supervised Persons in their respective individual capacities, are registered representatives of Foothill Securities. These Supervised Persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless Foothill Securities provides written consent. Therefore, clients are advised that certain Supervised Persons may be restricted to conducting securities transactions through Foothill Securities if they have not secured written consent from Foothill Securities to execute securities transactions through a different broker-dealer. Absent such written consent or separation from Foothill Securities, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than Foothill Securities under Foothill Securities' internal supervisory policies. GGS is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Software and Support Provided by Financial Institutions**

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GGS may receive from Pershing and Fidelity, without cost to GGS, computer software and related systems support, which allow GGS to better monitor client accounts maintained at Pershing and Fidelity. GGS may receive the software and related support without cost because GGS renders investment management services to clients that maintain assets at Pershing and Fidelity. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit GGS, but not its clients directly. In fulfilling its duties to its clients, GGS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that GGS' receipt of economic benefits from a broker-dealer creates a conflict of interest since



these benefits may influence GGS' choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

Additionally, GGS may receive the following benefits from Pershing or Fidelity through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Item 13. Review of Accounts**

#### **Account Reviews**

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For those clients to whom GGS provides investment management services, GGS monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom GGS provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of GGS' investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with GGS and to keep GGS informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

#### **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from GGS and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from GGS or an outside service provider.

Those clients to whom GGS provides financial planning services will receive reports from GGS summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by GGS.



## Item 14. Client Referrals and Other Compensation

### Client Referrals

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GGG may enter into arrangements under which the Firm provides compensation for client referrals. Specifically, if a client is introduced to GGS by an affiliated solicitor, GGS may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from GGS' investment management fee, and does not result in any additional charge to the client. Any affiliated solicitor of GGS discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of GGS' written disclosure brochure at the time of the solicitation.

### *Participation in Fidelity Wealth Advisor Solutions®*

GGG has entered into an agreement with Fidelity to participate in Fidelity Wealth Advisor Solutions® ("Wealth Advisor Solutions"), through which GGS receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and affiliate of Fidelity. Under the WAS Program, SAI acts as a solicitor for GGS, and GGS pays referral fees to SAI for each referral received based on GGS' assets under management attributable to each client referred by SAI or members of each client's household. These referral fees are paid by GGS and not the client. As a result of its participation in the WAS Program, GGS may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including Fidelity, for execution, custody and clearing for certain client accounts, and GGS may have a potential incentive to suggest the use of Fidelity and its affiliates to its advisory clients, whether or not those clients were referred to GGS as part of the WAS Program. Under an agreement with SAI, GGS has agreed that it will not charge clients more than the standard range of advisory fees disclosed in this brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, GGS has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when GGS' fiduciary duties would so require; therefore, GGS may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit GGS' duty to select brokers on the basis of best execution.

### Other Economic Benefit

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GGG may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

## Item 15. Custody

GGG's Agreement and/or the separate agreement with any Financial Institution may authorize GGS through such Financial Institution to debit the client's account for the amount of GGS' fee and to directly remit that management fee to GGS in accordance with applicable custody rules.

The Financial Institutions recommended by GGS have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to GGS. In addition, as discussed in Item 13, GGS also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from GGS.

## Item 16. Investment Discretion

GGG may be given the authority to exercise discretion on behalf of clients. GGS is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. GGS is given this authority through a power-of-attorney included in the agreement between GGS and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). GGS takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

## Item 17. Voting Client Securities

GGG is required to disclose if it accepts authority to vote client securities. GGS does not vote client securities on behalf of its clients. Clients receive proxies directly from the Financial Institutions.

## Item 18. Financial Information

GGG is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and

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

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Prepared by:

