

## **Form ADV Part 2A**

### **Firm Brochure**

#### **Item 1 Cover Page**

Golden Capital Management, LLC  
10715 David Taylor Drive, Suite 400  
Charlotte, NC 28262

Website Address: [www.gcm1.com](http://www.gcm1.com)

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Contact Employee: Robert B. Carroll  
Telephone Number: 704-593-1144, Ext. 112  
Electronic Mail: [rcarroll@gcm1.com](mailto:rcarroll@gcm1.com)

**This brochure provides information about the qualifications and business practices of Golden Capital Management, LLC. If you have any question about the contents of this brochure, please contact us at 704-593-1144 or [info@gcm1.com](mailto:info@gcm1.com). 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 Golden Capital Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration with the SEC does not imply a certain level of skill or training.**

## **Item 2 Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission (“SEC”) adopted amendments to Part 2 of Form ADV and related rules under the Investment Advisers Act of 1940. These amendments and rules address the disclosure requirements applicable to registered investment advisers, such as Golden Capital Management, LLC.

This brochure is a new disclosure document prepared by Golden Capital Management, LLC in accordance with the SEC’s new requirements. As such, this document is materially different in structure and requires certain new information that our previous brochure did not include.

In the future, this Item 2 in our brochure will discuss only specific material changes that are made to the brochure and provide clients with a summary of those changes.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC requirements, we will provide a summary of any materials changes to this and subsequent brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes, as necessary.

This information is available without charge. You may request a copy of our brochure by contacting Golden Capital Management, LLC at 704-593-1144. Our brochure is also available on our web site at [www.gcml.com](http://www.gcml.com).

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#### **Item 4 Advisory Business**

Golden Capital Management was initially organized in 1999 as a division of Smith Asset Management Group. In December 2000, the firm began doing business as Golden Capital Management, LLC, a separate limited liability company and SEC-registered investment adviser (“GCM”). The owners of GCM are GCM Partners, Inc. (55%), which is owned by Greg W. Golden, Jeffrey C. Moser, and Jonathan W. Cangalosi, and Alternative Strategies Group, Inc. (45%), which is owned by Wells Fargo & Company, a publicly-traded financial services company. GCM Partners, Inc. is the managing member of GCM.

In February 2011, GCM entered into a definitive agreement with Wells Capital Management, Incorporated (“WellsCap”) and GCM Partners, Inc. whereby GCM will acquire certain assets, advisory contracts and team members of the Global Strategic Products business from WellsCap. In exchange, WellsCap (or another affiliate of Wells Fargo & Company) will be issued an additional 20% equity interest in GCM. Following the closing of the transaction, which is expected to occur in the late summer of 2011, Wells Fargo & Company will own (indirectly) 65% of the membership interests in GCM, and GCM Partners, Inc. will own the remaining 35% of the membership interests in GCM. GCM Partners, Inc. will continue to serve as the managing member of GCM.

GCM provides discretionary and non-discretionary investment advisory services to individuals, pension plans, institutions, investment companies and other types of clients. GCM’s non-discretionary services include providing securities ranking information to other investment advisers. GCM offers several domestic equity investment strategies, each of which is invested primarily in U.S. exchange-listed equity securities.

GCM manages accounts invested in the same strategy in a similar manner. For example, client accounts invested in GCM’s Large Cap Core strategy will typically be invested in the same securities, subject to limited exceptions. Clients may impose restrictions on GCM with respect to investing in certain securities or types of securities. When restrictions are imposed by a client, GCM may invest the “restricted” portion of the account in exchange-traded funds (commonly known as “ETFs”).

GCM provides investment advisory services in connection with various managed account programs, including, but not limited to, “wrap” account programs and model-portfolio programs. A wrap account program is an advisory program under which a fee not based directly upon transactions in a client’s account is charged for investment advisory services and the execution of client transactions. Under managed account programs, the sponsor typically provides certain services to the clients in the program, including assisting the client in selecting one or more investment advisers and/or investment strategies based on the client’s investment objectives, brokerage, custody and other account services. Investment advisers, such as GCM, typically provide portfolio management services, which may include providing a model portfolio to the program sponsor. With respect to securities purchased and sold for wrap account program clients, GCM generally manages such accounts in the same manner that it manages other accounts pursuing the same investment strategy. In model-portfolio programs, GCM typically provides a model portfolio to the program sponsor, and the program sponsor will typically direct the execution of

trades on behalf of program participants. GCM periodically communicates model portfolio changes (e.g., buy and sell decisions) to the program sponsor.

GCM typically relies on the managed account program sponsor to determine that the program is suitable for its clients. The amount of client-specific information received by GCM from such program sponsors varies, and program participants are encouraged to discuss program and investment suitability matters with their program's adviser and/or sponsor. (With respect to model-portfolio programs in particular, GCM does not typically receive any client-specific information.) Based on the information provided to it by the program sponsor, GCM will confirm that the investment strategy selected by a particular client appears to be suitable for the client. GCM does not, however, evaluate whether any particular client would, for example, be better off paying for brokerage execution and investment advice separately.

Managed account program fees, trading procedures and minimums vary and are generally determined by the program sponsor. Program sponsors typically pay a portion of the program fee paid by the client to GCM for the investment advisory services that it provides in connection with the particular program, although in certain programs, the client may pay GCM directly. A detailed description of fees, services and other features of the specific managed account programs in which GCM participates can be obtained from the sponsor of the specific program or from Schedule H of the sponsor's Form ADV.

As of December 31, 2010, GCM managed approximately \$2.9 billion on a discretionary basis and approximately \$151 million on a non-discretionary basis.

#### **Item 5 Fees and Compensation**

GCM's investment advisory fees for separate account management are typically stated as a percentage of assets under management and payable quarterly, in arrears. GCM typically sends an invoice to clients within 15 business days after quarter end. Fees may be paid directly to GCM by the client or may be paid from the client's custodial account based on arrangements agreed upon by the client and the client's custodian. Custodians may not independently validate the amount of GCM's fee, and clients are encouraged to review their custodial account statements. Fees are typically based on the market value of the account (including cash equivalents and accrued income) as of the close of each calendar quarter. Fees are prorated at inception and termination for the number of days under active management in the quarter. Fees may be adjusted on a time-weighted basis for changes to the value of the account due to material contributions or withdrawals during the quarter.

GCM provides securities ranking information to an affiliated investment adviser that uses the rankings information in connection with the provision of investment advisory services to its clients. The fees paid to GCM under those and similar circumstances are negotiated on a case-by-case basis.

GCM's stated fee schedule is set forth below. In general, GCM's fees are negotiable. Subject to exceptions, GCM's minimum account size for separate account management is \$5 million. Different fees and minimums apply for wrap account program clients. When considering account-level advisory fees, clients should be aware that client accounts invested in investment company securities (e.g., exchange traded funds) will also bear their proportionate share of fees paid at the investment company level. GCM's investment advisory fee will not be reduced under such circumstances.

In addition to advisory fees paid to GCM, a client will pay other fees and expenses in connection with the account. For example, GCM clients (non-wrap program) will typically pay brokerage commissions and any other transaction charges associated with buying and selling securities. See Item 12. In addition, most clients will pay fees and expenses associated with the provision of custody services for their account. See Item 15. GCM does not receive any of these non-advisory service fees (e.g., brokerage commissions and other transaction charges, custodial fees, transfer taxes or sales loads or similar charges).

Large Cap Core -- Fixed Rate

0.75% - first \$10 million  
0.65% - next \$15 million  
0.50% - all over \$25 million  
(1.0% on assets under \$5 million)

Or

Large Cap Core -- Variable Rate

0.25% + 25% of the excess return over the S&P 500 Index charged quarterly in arrears for the previous trailing twelve month period.

Enhanced Large Cap -- Fixed Rate

0.30% - first \$25 million  
0.25% - next \$75 million  
0.20% - all over \$100 million

Or

Enhanced Large Cap -- Variable Rate

Base Fee

0.15% - first \$25 million  
0.125% - next \$75 million  
0.10% - all over \$100 million

Plus

30% of the excess return over the S&P 500 Index – first \$25 million  
20% of the excess return over the S&P 500 Index – next \$75 million  
15% of the excess return over the S&P 500 Index – all over \$100 million  
Fee maximum based upon 300 basis points of out-performance.

Small Cap Core -- Fixed Rate

1.00% - first \$25 million  
0.75% - all over \$25 million

Or

Small Cap Core -- Variable Rate

0.25% + 25% of the excess return over the Russell 2000 Index charged quarterly in arrears for the previous trailing twelve month period.

SMID Cap Core -- Fixed Rate

0.95% - first \$25 million  
0.75% - all over \$25 million

All Cap Core -- Fixed Rate

0.80% - first \$25 million  
0.60% - all over \$25 million

Mid Cap Core -- Fixed Rate

0.85% - first \$25 million  
0.65% - all over \$25 million

130/30 Equity -- Fixed Rate

0.80% - all assets

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

GCM accepts performance-based fees for a small number of clients. GCM portfolio managers may manage both accounts that are charged a performance-based fee and accounts that are charged asset-based fees. Conflicts of interest arise in circumstances where the firm and/or a portfolio manager manages accounts that charge performance-based fees and accounts that charge other types of fees (e.g., asset-based fees) because the firm and/or portfolio manager have an incentive to favor the accounts that pay a performance-based fees. For example, GCM could be in a position to earn more in investment management fee revenue if it were to allocate more profitable trading opportunities to its performance-based fee accounts rather than its asset-based fee accounts. Similarly, GCM could favor one group of similarly-managed accounts over another group of similarly-managed accounts by consistently trading one group of accounts prior to trading the other group of accounts. GCM has developed procedures that are intended to ensure that all accounts are treated fairly and to prevent this potential conflict from influencing the allocation of investment opportunities among clients.

GCM policy prohibits any trade allocation practice whereby GCM's proprietary accounts, affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts. GCM seeks to assure that trades on behalf of different client groups involving the same security are executed in a fair order and that no client is unfairly disadvantaged over the long term. In

that regard, trades for securities that are held in multiple accounts that can be traded together (i.e., the same “client group”) are “blocked” (aggregated) for trading. All accounts within the block receive the same execution price, and shares are allocated pro-rata based on pre-trade order amounts. GCM typically relies on a random order generator to determine the order in which client group trading takes place (or, in the case of certain model portfolio programs, the order in which model recommendations are communicated). Whenever trades are effected on a rotational basis, there exists the possibility that any particular client group will receive a higher or lower execution price than another client group in the rotation. GCM may, in its discretion, trade client groups (or communicate recommendations) in an order that differs from the order determined by the random order generator for operational reasons if program size or other factors suggest that the affected client groups will not be unfairly disadvantaged. In certain cases, GCM may send common trades for different client groups to different brokers for execution at the same time. Simultaneous execution may be appropriate, for example, when a trade for one client group is of limited size.

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

GCM provides discretionary and non-discretionary investment advisory services to individuals, pension plans, institutions, investment companies and other types of clients. GCM clients may include affiliates of GCM, including without limitation, Wells Fargo Bank, N.A. As noted above, in addition to providing investment advisory through managed separate accounts, GCM provides investment advisory services in connection with several managed account programs, including wrap fee and/or model-portfolio programs. Subject to exceptions, GCM’s minimum account size for separate account management is \$5 million. With respect to managed account programs, GCM’s minimum account size requirements vary. In general, managed account program minimums are less than GCM’s separate account minimum account size.

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

A. GCM provides advisory services primarily with respect to equity securities, and all of GCM’s investment strategies invest primarily in equity securities that are listed on U.S. stock exchanges. GCM uses quantitative models to evaluate thousands of publicly-listed equity securities. In general, the models apply concepts rooted in fundamental analysis. They assess companies with regard to valuation, earnings, and trading momentum; and that assessment is translated into rankings that identify companies as relatively more or less attractive than others. GCM describes the companies with the best rankings as undervalued relative to their peers and demonstrating superior fundamental strengths. In general, GCM’s investment strategies are designed to construct portfolios from the best-ranked companies. Accordingly, all of GCM’s investment strategies involve the risks generally associated with investing in equity securities. The value of equity securities fluctuates, and investing in equity securities involves risk of loss. Security values may decline for a number of reasons, including those that relate to the particular issuer of the security, as well as those that relate to the broader stock market. All GCM clients should be prepared to bear the risks associated with investing in equity securities.

B. GCM’s investment strategies include: **Large Cap Core (LCC), Enhanced Large Cap (ELC), Mid Cap Core (MCC), SMID Cap Core (SMID), Small Cap Core (SCC), All Cap Core (ACC) and 130/30 Equity**. The material risks involved with these strategies are those that are typically associated with investments in equity securities. GCM strategies invest primarily in equity securities that are listed



on U.S. stock exchanges, and GCM's advised accounts are typically fully exposed to such equity securities, with the exception of 1-3% that is typically held in cash and/or money market funds. GCM's SCC, SMID, MCC, and ACC strategies may invest a material portion of their assets in small and/or medium capitalization companies, and the ACC strategy may invest in foreign securities and in exchange traded funds (ETFs) that invest in foreign securities or commodities. Investments in these types of securities present various additional risks, including those that are described in more detail below.

Each GCM investment strategy has a particular performance benchmark (e.g., S&P 500 Index), but there can be no assurance that a strategy's performance will exceed that of its performance benchmark or that its performance will be positive for any given period of time. GCM makes no guarantees with respect to any account's performance.

GCM believes that when the equity market is driven by fundamental considerations, the GCM models are likely to be predictive of relative stock price movements. There are conditions in which GCM's fundamental models are less likely to be predictive of relative stock price movements, and during such times, the performance of GCM's investment strategies is more likely to trail the performance of their respective benchmarks. Such conditions include highly speculative market environments, periods when there are shocks to the financial or economic systems, and market environments where a very narrow sub-segment of the market (e.g., stocks from a particular sector or industry) dominates. While GCM seeks to invest in equity securities that will appreciate in price, there is always a risk that security prices will go down. The market price of securities held by any account may decline due to factors affecting (i) securities markets generally, (ii) particular industries and/or (iii) particular companies. Securities markets can be volatile, and especially during periods of volatility, the prices of securities of a particular company may be negatively impacted, even in the absence of degradation in the financial conditions or prospects of that company.

C. As noted above, all of GCM's investment strategies invest primarily in equity securities that are listed on U.S. stock exchanges. The material risks associated with investing in such securities are described above. Clients and prospective clients should be comfortable with assuming these risks.

Each of the SCC, SMID, MCC, and ACC strategies may invest a material portion of their assets in small and/or medium capitalization companies. (For these purposes, small and/or medium capitalization companies may include companies with market capitalizations that are less than approximately \$15 billion.) Investing in small to medium size companies can have more risk than investing in larger, more established companies. The securities of small companies are frequently traded in lower volume and, as a result, they may be less liquid than the securities of larger, more-established companies. Further, for a variety of reasons, smaller capitalization companies are more likely to experience changes in earnings and growth prospects than larger, more established companies. For these and other reasons, the prices of small-mid capitalization securities can fluctuate more significantly than the securities of larger companies.

As noted above, the ACC strategy may invest in shares of exchange traded funds (ETFs). ETFs are pooled investment vehicles (funds) that invest in underlying securities or financial instruments. As pooled investment vehicles, ETFs typically pay fund-level investment advisory and other operational fees. Accordingly, clients should understand that the fees paid by ETFs to their respective service providers are in addition to the fees that are charged by GCM for its investment advisory services. These fees are

charged without regard to the performance of the ETF. In addition, shares of ETFs may trade at, above or below their net asset value. Accordingly, the price that a seller of shares receives may be less than the net asset value of their shares. The risks of particular ETF structures and the investments in which they invest are typically described in the ETF's prospectus.

The ACC strategy may seek commodities exposure by investing in one or more ETFs that invest in derivative instruments in an effort to track the investment performance of an underlying broad-based commodities index (for example, the ETF may offer exposure to agricultural, energy, industrial and precious metal commodities). Such indices are typically based on the prices of a basket of commodity futures contracts. These investments may be subject to a variety of risks, including but not limited to risks related to the counterparty to any derivatives transaction, tracking error risk, liquidity risk, and risks related to the underlying commodities (e.g., weather-related, geopolitical, supply and demand risks). All of these risks and others can negatively impact the investment performance of the ETF.

The ACC strategy may invest in foreign securities or shares of ETFs that invest primarily in foreign securities. Foreign investments may be subject to more risks than U.S. domestic investments. These additional risks may include lower liquidity, greater price volatility and risks related to adverse political, regulatory, market or economic developments. In addition, amounts realized on sales or distributions of foreign securities may be subject to relatively high levels of foreign taxation and withholding when compared to comparable transactions in U.S. securities. Investments in foreign securities involve exposure to changes in foreign currency exchange rates. Foreign investments are also subject to risks including trade settlement, custodial, and other operational risks, as well as potentially less stringent investor protection and disclosure standards in certain foreign markets.

The ACC strategy may invest (directly or indirectly through ETFs) in foreign securities that are issued by companies in emerging markets. Emerging markets securities typically present relatively greater exposure to the risks described above and may be particularly sensitive to certain economic changes. For example, emerging markets may have more volatile currencies and may be more sensitive than more mature markets to a variety of economic factors.

There are risks associated with GCM's 130/30 Equity strategy related to "short" selling. Short sales involve the sale of a security that the account has borrowed, with the expectation that the security will decline in value. Short sales create a risk that the account will be required to close the short position by buying the security at a time when the security has appreciated in value, thus resulting in a loss to the account. Short sales involve leverage because an account borrows securities and then sells them and invests the proceeds of the sale, thereby leveraging its assets. The use of leverage may magnify losses or gains for an account. In addition, the technique of selling securities "short" while buying securities "long" introduces potential conflicts of interest involving GCM and/or its clients. For example, GCM could buy a particular security long for one account at the same time that it was selling a security short for another account. GCM does not expect that this will occur with respect to any of its non-enhanced index strategies and does not expect that it will occur frequently, if at all, with respect to its Enhanced Large Cap strategy. GCM has adopted procedures designed to ensure that all of its clients are treated fairly over time and that no one group of clients (or client) is disadvantaged relative to another group of clients (or client) for reasons related to short selling.

## **Item 9 Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of GCM's advisory business or the integrity of GCM's management.

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

A. Not applicable.

B. Not applicable.

C. Wells Fargo & Company ("Wells Fargo"), which owns (indirectly) 45% of the membership interests in GCM, is a large financial services organization that operates commercial and investment banking, brokerage, investment advisory and other businesses. As described in more detail below, GCM has relationships and/or arrangements with several Wells Fargo subsidiaries.

GCM provides discretionary and/or non-discretionary investment advisory services to one or more Wells Fargo subsidiaries, including Wells Fargo Bank, N.A. Such services include, without limitation, the provision of model portfolios for one or more investment strategies that include security names and weightings and/or security ranking information and separate account management services. In addition, GCM provides investment advisory services to clients of several Wells Fargo subsidiaries, including without limitation, Wells Fargo Bank, N.A., and Wells Fargo Advisors, LLC. Such services may be provided in the context of a wrap or other managed account type program. GCM also serves as investment sub-adviser to certain mutual funds that are advised by Wells Fargo Funds Management, LLC.

With respect to the selection and timing of investment decisions, GCM seeks to treat the advisory accounts of its affiliated persons (including the accounts of clients of its affiliates) in a manner that is substantially the same as the manner in which it treats the advisory accounts of its other clients who are similarly situated, absent account-specific restrictions and/or limitations. GCM seeks to allocate investment opportunities and securities to clients in a fair and equitable manner, and follows procedures designed to ensure that all of its clients are treated fairly. See response to Item 6, above.

From time to time, GCM may, on behalf of its clients, purchase and sell the securities of issuers that have business relationships with Wells Fargo & Company and/or its affiliates. In addition, from time to time, GCM may, on behalf of its clients, purchase and sell securities issued by Wells Fargo & Company. And, as noted above, GCM participates in several wrap/managed account programs. Some of these programs are sponsored by entities (or are affiliated with entities) that issue securities. From time to time, GCM may, on behalf of clients, purchase and sell the securities of issuers that sponsor wrap/managed account programs in which GCM participates. As a means of addressing the conflicts presented by these relationships, GCM has adopted a Policy on Conflicts of Interest and a Policy on Investment Decision Making that provide, among other things, that GCM portfolio managers shall not take these relationships into account when making an investment decision regarding an issuer.

GCM has arrangements with Wells Fargo Funds Distributor, LLC, a registered broker-dealer, Wells Capital Management Incorporated, a registered investment adviser, and European Credit Management Limited, a Wells Fargo affiliate and foreign investment adviser, pursuant to which these entities may

provide referral and/or wholesale distribution and related services for compensation. Any amounts paid to these entities are paid by GCM out of the fees that it receives for its services.

D. Not applicable.

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

A. GCM has adopted a Code of Ethics (the “Code”) that sets forth standards and procedures that are intended to assure that GCM employees do not use any information concerning the investments or investment intentions of any client, or their ability to influence such investment intentions, for personal gain or in a manner that is detrimental to the interests of GCM clients. The Code generally prohibits personal trading in securities, subject to certain exceptions, including without limitation, trading in U.S. government obligations, short-term debt securities, and exchange-traded and other open-end funds. Exceptions to the prohibition on personal trading may also be made by the GCM management team on a case-by-case basis. In addition, subject to management approval, employees may transact in securities through certain approved discretionary advisory accounts. Such accounts may be internally or externally managed. For example, a GCM portfolio manager has provided “seed” capital for GCM’s All Cap Core and Mid Cap Core investment strategies. The securities that are purchased and sold in these strategies (and accounts) may be purchased and sold by GCM for its other investment strategies (and accounts). To the extent that trading in particular securities in the employee account overlaps with trading in the same securities in other accounts, GCM will generally effect the trades in the employee account after the trading in client accounts has been completed. All GCM employees are required to disclose their personal securities holdings and transactions on a periodic basis. GCM may periodically supplement or revise its Code in its discretion. GCM will provide a copy of its Code to any client or prospective client upon request.

B. Not applicable.

C. and D. GCM and its related persons may invest in the same securities that GCM recommends to clients. For example, a GCM portfolio manager has provided “seed” capital for GCM’s All Cap Core investment strategy and GCM’s Mid Cap Core investment strategy. In addition, one of GCM’s related persons has provided seed capital for GCM’s 130/30 Equity strategy. The securities that are purchased and sold in these strategies (and accounts) may be purchased and sold by GCM for its other investment strategies (and accounts). To the extent that trading in particular securities in an employee’s account overlaps with trading in the same securities in other accounts, GCM will generally effect the trades in the employee’s account after the trading in client accounts has been completed.

#### **Item 12 Brokerage Practices**

A. For many of its accounts, GCM has the authority to select broker-dealers for client transactions and to determine the reasonableness of the broker-dealers’ compensation (e.g., commissions). GCM selects brokers based on a variety of factors, including commission fees, ability to obtain price improvement and liquidity, clearance and settlement capabilities, financial strength, access to markets and research, the availability and/or quality of brokerage and research services, trading error history, and account coverage. Broker-dealer compensation is negotiated by GCM to be commensurate with the value of the brokerage and research services provided. GCM has a best execution committee that conducts periodic analyses to

evaluate the quality of the execution that brokers deliver. The committee maintains a list of approved brokers to which GCM directs the majority of its trading. In general, GCM distributes trading over which it has discretion among the brokers on its approved list.

For advisory accounts associated with wrap account programs, GCM will typically direct trades to the broker-dealer associated with the program (the “Program broker dealer”). The primary reason for utilizing the services of the Program broker dealer is that there is typically no separate execution charge (e.g., commission) associated with trades effected through the Program broker dealer. (Rather, the account pays an all-inclusive wrap fee that is intended to cover advisory, custody, brokerage and/or other fees.) Absent circumstances that suggest that the Program broker dealer is not able to provide best execution on a given trade, GCM will direct particular program trades to the Program broker dealer.

Research and Other Soft Dollar Benefits: For the majority of its non-wrap program clients, GCM has the authority to determine the brokers used and the commission rates paid for account trading. With limited exceptions, GCM non-wrap program client trades executed on a discretionary basis are typically executed electronically at a commission of no more than \$0.0275 per share. A portion of this commission (typically, \$0.0075) is reserved and used to pay for brokerage and research services used to manage client portfolios, as permitted by Section 28(e) of the Securities Exchange Act of 1934 (a “soft dollar” arrangement). Section 28(e) generally provides that a person who exercises investment discretion with respect to an account, such as GCM, will not be deemed to have breached a fiduciary duty under federal or state law solely by causing the account to pay more than the lowest available commission, if such person determines in good faith that the amount of commission is reasonable in relation to the value of the brokerage and research services provided. In this regard, GCM has entered into commission sharing arrangements (CSAs) with broker-dealers in order to purchase both proprietary and/or third-party brokerage and research services. As a result of these soft dollar arrangements, the broker-dealer compensation clients pay may exceed the compensation that could be obtained from another broker or dealer, particularly if such other broker or dealer were not providing research or other services. GCM is sensitive to commission rates and their impact on client accounts, but GCM does not seek to pay the lowest commission rate possible.

While the brokerage and research services that are paid for with soft dollars are selected because GCM believes they will add value to GCM client portfolios, the use of client commissions to pay for such services creates a conflict of interest. When GCM obtains brokerage and research services with soft dollars, GCM receives a benefit because GCM does not have to produce or otherwise pay for the research with “hard” dollars. Accordingly, GCM may have an incentive to select or recommend broker-dealers based on GCM’s interest in receiving soft dollar benefits rather than the clients’ interest in receiving most favorable execution. Soft dollar services obtained by GCM may include research created or developed by broker-dealers (often referred to as “proprietary research”), as well as services that are developed or created by third parties. Soft dollar services may be used by GCM in servicing any or all accounts, and services obtained with commissions from one client account may be used in connection with accounts that do not provide any soft-dollar benefits to GCM. GCM does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate. For example, wrap program and directed brokerage accounts, which constitute a substantial portion of GCM’s assets under management, typically do not generate soft dollar benefits for GCM, but those accounts may benefit from soft dollars generated by other accounts. In addition, certain brokerage or research services obtained by

GCM with soft dollars may be used for investment decision making purposes, as well as purposes unrelated to investment decision making (e.g., advertising). With respect to any such services, GCM will make a reasonable allocation of the cost of the services between “soft” and “hard” dollars based on the extent to which the services are used for investment decision making purposes (which may be paid for with “soft” dollars) versus non-investment decision making purposes (which are paid for with “hard” dollars out of GCM’s own funds). The allocation of costs between “soft” and “hard” dollars presents an additional conflict of interest between GCM and certain of its clients (i.e., those from which GCM receives soft dollar benefits). GCM believes that its use of soft dollars to obtain research and/or brokerage services is beneficial to the firm and its clients and follows policies and procedures that are intended to ensure that its use of soft dollars is consistent with applicable law and regulations.

Examples of brokerage and research services currently utilized by GCM and purchased with “soft” dollars are provided below. These examples are not exclusive and are subject to change at any time without notification.

Service	Description
S&P – Compustat Data	Database of financial and price information on publicly traded companies.
S&P - Quarterly PDE	Compustat Quarterly PDE.
S&P – Index Data	S&P Index constituent information.
Thomson IBES Data	Wall Street analyst consensus estimates and financial statement data.
DTC/Omgeo	Depository Trust Company interface service that allows for the timely settlement of trades.
SAS	Statistical programming language used for developing models, back-testing and quantitative reporting.
Zacks Research	Earnings estimate data and analyst research notes.
Advent Corporate Actions	Corporate action information to maintain accurate portfolio holdings.
BCA Research	Economic research service provider.
Bloomberg	Market data and news.
FactSet	Research integration tool and market/economic data provider.
FactSet	Research integration tool and market/economic data provider.
NYSE	Quote feeds for Bloomberg terminals.
BARRA License & Data	Barra Aegis Risk Manager, Optimizer & Performance Analyst software, Equity risk & return data.
MSCI REIT Data	MSCI REIT Data.
Russell Index Data	Russell Index constituent information.
ITG Transaction Cost Analysis	Transaction cost analysis reporting for trading activity across multiple brokers.
GCM also receives additional research and/or brokerage services directly from certain brokers through which it trades. These services are in addition to any third-party services noted above and may include various forms of stock and market research (e.g., publications, email notifications, phone calls, etc.).	

Brokerage for Client Referrals: GCM does not, in selecting or recommending broker-dealers, receive client referrals from a broker-dealer or third party.

Directed Brokerage: GCM does not routinely recommend, request or require that a client direct it to execute transactions through a specified broker-dealer. Some of GCM's clients may wish to direct the firm (either directly or through their advisers) to effect all portfolio transactions through a specified broker-dealer at a rate agreed upon between the client and the broker. (This may occur, for example, when the client's custodian is itself a broker-dealer.) In such cases, GCM typically does not negotiate commission rates unless expressly requested to do so by the client. Clients are free to choose or change broker-dealers at their discretion unless there is reason to believe the brokerage firm cannot offer adequate service. In such event, GCM might be unable to accept the management of the account.

A client who directs the firm to use a particular broker-dealer should consider whether such designation may result in certain costs or disadvantages to the client. Costs and disadvantages may include higher commissions and/or less favorable executions. For example, the particular broker-dealer selected may charge a higher commission than other broker-dealers would charge for the same transaction. In addition, GCM often will, at any given time, purchase and/or sell the same securities for many accounts. It is GCM's practice, where feasible, to aggregate for execution as a single transaction ("bunch") orders for the purchase or sale of a particular security for the accounts of several clients for whom GCM has discretion to select the brokerage firm. Bunching may enable GCM to obtain somewhat lower commissions based on the volume of the clients in the particular order. However, in those cases where a client and broker-dealer have previously negotiated a commission rate, GCM will be unable to negotiate further volume discounts, thus precluding the client from receiving the benefit of any lower commission that might otherwise be available from the aggregation. Accordingly, any client directing brokerage should satisfy itself that the broker-dealer selected by the client can provide adequate price and execution of transactions.

B. GCM typically manages accounts pursuing a common GCM investment strategy (e.g., Large Cap Core) in a similar manner, and GCM may place trade orders and/or communicate model portfolio recommendations for a variety of different clients (e.g., institutional, individual, investment company, proprietary account, wrap fee program and model portfolio clients) at or about the same time. Generally, when GCM initiates "across-the-board" trade decisions for an investment strategy, GCM will aggregate (or block) the trades into client groups that can trade with the same broker and follow the trade order rotation process described below. For trade decisions that are not across-the-board recommendations (e.g., individual account inception, contribution, liquidation, tax-loss harvesting), GCM generally does not aggregate orders, and instead places each trade order with a broker when the trade is ready for execution. In such cases, there exists the possibility that clients may receive more favorable or less favorable executions than might be available through an aggregated order.

GCM seeks to assure that trades on behalf of different client groups involving the same security are executed in a fair order and that no client is unfairly disadvantaged over the long term. GCM typically relies on a random order generator to determine the order in which client group trading takes place (or, in the case of certain model portfolio programs, the order in which model recommendations are communicated). Whenever trades are effected on a rotational basis, there exists the possibility that any particular group of trades will receive a higher or lower execution price than another group in the rotation. GCM may, in its discretion, trade client groups (or communicate recommendations) in an order that differs from the order determined by the random order generator for operational reasons if program size or other factors suggest that the affected client groups will not be unfairly disadvantaged. In certain

cases, GCM may send common trades for different client groups to different brokers for execution at the same time. Simultaneous execution may be appropriate, for example, when a trade for one client group is of limited size.

Occasionally, GCM may wish to trade the same security on behalf of clients in two different GCM investment strategies (e.g., Mid Cap Core and SMID Cap Core) at the same time. To the extent reasonably practicable, such trades will be traded in the manner described above (i.e., in an order based on the output of the random order generator). In instances where the same security is held by different investment strategies within a particular client group, GCM may aggregate the orders for clients in different strategies or trade them separately (in an order based on the output of the random order generator).

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

A. and B. As noted in response to Item 4, GCM typically manages accounts following each particular investment strategy in a substantially similar manner. The lead portfolio manager for each strategy is responsible for making the day-to-day portfolio management determinations for the particular strategy. Once a buy-sell determination is made for a particular strategy is made, the transaction is implemented across all of the accounts pursuing that particular strategy, unless individual client restrictions or guidelines dictate a different result. GCM's portfolio managers regularly review strategy holdings, and, on average, portfolio managers adjust strategy holdings about once per month. Investment strategy holdings may be adjusted more or less frequently. In general, individual account reviews are conducted on a weekly or monthly basis by GCM's Portfolio Traders. Portfolio Traders review holdings and levels of uninvested cash in client accounts.

In addition to the portfolio management reviews described above, on a monthly basis, the firm's Risk Management Team reviews reports related to account performance dispersion and account holdings dispersion for non-managed account program accounts. (Managed account program account performance is typically reviewed quarterly by the Risk Management Team.) In addition, the firm's Chief Compliance Officer conducts various account-related reviews on a spot-check basis.

C. GCM provides quarterly written reports to clients (except for clients that come to GCM through managed account programs). GCM's quarterly reports typically include detailed account holdings, account performance and performance attribution information, as well as investment strategy commentary with information about transactions occurring during the reporting period, if any. Managed account program sponsors typically provide program clients with regular quarterly reports. The content and timing of those reports are determined by the program sponsor, but typically include account holding and performance information, among other things.

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

A. Not applicable.

B. From time to time, GCM may compensate affiliated and unaffiliated persons and entities for client referrals. The compensation paid to any such entity will typically consist of a cash payment stated as a percentage of the assets under GCM's management as a result of any such referral. A recipient entity may pay a portion of the fee received from GCM to its employee(s) involved with the referral.



Under limited circumstances, GCM may participate in and/or make contributions toward training, educational seminars, client-appreciation dinners and/or similar events sponsored by other investment advisers (e.g., wrap program sponsors) that have clients in common with GCM. Any such contributions by GCM typically do not exceed \$1,000 for any one event. Participation and/or monetary contributions could create a conflict of interest for the other investment advisers, as they might have an incentive to favor managers that participate/contribute over investment advisers that do not.

#### **Item 15 Custody**

GCM does not itself maintain possession of any client assets. GCM client assets are maintained in the custody of broker-dealers, banks and other qualified custodians. Certain of these custodians may be affiliated with GCM.

GCM clients receive account statements directly from their custodians. Clients should carefully review such account statements. GCM sends quarterly statements to certain clients. GCM urges all clients who receive GCM quarterly statements to compare the account statements that they receive from their custodians with those that they receive from GCM. Any client with a question or concern arising from any such comparison should notify GCM and/or the client custodian immediately.

#### **Item 16 Investment Discretion**

For most clients, GCM has the authority to determine the securities, and the amount of securities, to be bought or sold for its clients without obtaining specific client consent. GCM's discretionary authority regarding investments may, however, be subject to certain limitations (e.g., restrictions or prohibitions placed by the client on transactions in certain types of securities or industries). The scope of GCM's authority (and limitations thereon) is typically agreed upon in advance with each client and memorialized in a written agreement. For example, GCM's standard advisory agreement provides for the appointment of GCM as the client's attorney and agent with power to direct the investments in the client's account. For a limited number of clients (including one or more subsidiaries of Wells Fargo & Company), GCM provides certain non-discretionary investment advisory services, including model portfolio investment recommendations and security rankings that may be acted upon by clients.

In connection with managing client accounts, there may be a variety of corporate actions or other matters for which shareholder action is required or solicited and with respect to which GCM may take action that it deems appropriate in its best judgment (except to the extent otherwise required by agreement with a client). These actions may include, for example and without limitation, responding to tender offers or exchanges, bankruptcy proceedings and proposed class action settlements. If GCM receives correspondence for a client relating to class action litigation, it will typically forward the correspondence to the appropriate client and/or client custodian. GCM will have no power, authority, responsibility, or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets.

### **Item 17 Voting Client Securities**

A. and B. When agreed between GCM and a client, GCM will vote proxies for voting securities held in a client's account. Proxies will be voted in the best interest of GCM's clients in accordance with GCM's then-current Proxy Voting Policy (the "Policy"). GCM has retained an independent proxy voting service provider (currently, ISS Governance Services) to provide research, guidelines, recommendations and other proxy voting services for client proxies. Absent a determination by GCM to override the independent provider's guidelines and/or recommendations, client proxies will be voted in accordance with those guidelines and/or recommendations. GCM's Policy is available on the firm's website and upon request, in electronic or hard copy form. Clients may obtain from GCM the Policy, as well as information about how GCM voted clients' securities, by contacting GCM at [info@gcm1.com](mailto:info@gcm1.com).

Clients for whom GCM does not vote proxies will typically receive their proxies and other similar solicitations directly from their custodian or transfer agent. Clients for whom GCM does not vote proxies may contact GCM at [info@gcm1.com](mailto:info@gcm1.com) if they have questions concerning a particular proxy solicitation.

Wells Fargo & Company, which owns (indirectly) an ownership interest in GCM, is a large financial services organization that has commercial and/or investment banking and other business relationships with, and/or ownership interests in, many issuers of securities. Such relationships could, from time to time, create or give rise to the appearance of a conflict of interest between GCM and its clients. GCM has implemented procedures designed to prevent conflicts of interest from influencing its proxy voting decisions. These procedures include information barriers and, most significantly, the use of an independent party to assist in the proxy voting process.

### **Item 18 Financial Information**

A. Not applicable.

B. GCM is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

C. Not applicable.

### **Item 19 Requirements for State-Registered Advisers**

Not applicable.