

## Item 1. Cover Page

### Part 2A of Form ADV: FIRM BROCHURE OF

#### **Gilford Financial Corp. (“GFC”)**

777 3<sup>rd</sup> Avenue, 17<sup>th</sup> Floor  
New York, New York 10017  
212-888-6400  
Fax 212-826-9010  
November 30, 2014

**This brochure provides information about the qualifications and business practices of GFC. If a client has any questions about the contents of this brochure, please contact us at 212-888-6400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about GFC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

GFC is registered with the U.S. Securities and Exchange Commission. Note, however, that such registration does not imply a certain level of skill or training. The oral and written communications we provide to clients, including this Brochure, is information clients use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## **Item 2. Material Changes**

This brochure is filed as an annual update to the Form ADV Part 2. The last update was March 31, 2014. There have been no material changes to this brochure since the last update on March 31, 2013. If a client would like another copy of this Brochure, please download it from the SEC Website as indicated above, or clients can contact our Compliance Department at 212-888-6400.

### Item 3. Table of Contents

Item 1. Cover Page .....	1
Item 2. Material Changes .....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation.....	5
Item 6. Performance-Based Fees and Side-By-Side Management.....	8
Item 7. Types of Clients .....	8
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9. Disciplinary Information .....	10
Item 10. Other Financial Industry Activities and Affiliations .....	11
Item 11. Code of Ethics, Participation or Interest in Client Transactions/Personal Trading .....	12
Code of Ethics .....	13
Participation or Interest in Client Transactions .....	13
Item 12. Brokerage Practices .....	14
A.1. Research and Other Soft Dollar Benefits .....	14
A.2. Brokerage for Client Referrals .....	14
A.3. Directed Brokerage.....	14
Item 13. Review of Accounts .....	14
Item 14. Client Referrals and Other Compensation.....	14
Item 15. Custody .....	14
Item 16. Investment Discretion .....	15
Item 17. Voting Client Securities.....	15
Item 18. Financial Information.....	16
Item 19. Requirements for State-Registered Advisers .....	16

## Item 4. Advisory Business

Gilford Financial Corp. (“GFC”) was formed in 1995. Its principal owner is Gilford Securities Incorporated (“Gilford”). Gilford is a broker-dealer registered with the Securities and Exchange Commission and is a member of FINRA, SIPC and MSRB. The principal officers of GFC are also principal officers of Gilford.

GFC personnel offering investment advisory services to clients must pass a qualifying examination given by industry regulators.

As of November 30, 2014, GFC’s discretionary assets under management were \$61,958,673 in 251 accounts. Non-discretionary assets under management were \$21,628,310 in 118 accounts. The total assets under management were \$83,586,983 in 369 accounts.

### Fee-Based Advisory Programs

GFC offers four fee-based investment advisory programs created and maintained by Sterne Agee Asset Management, Inc.

The four fee-based programs are:

- [1] Select Adviser Program
- [2] Select Funds Program
- [3] Advisor as Portfolio Manager Program
- [4] Select Managers Program

### Securities Transactions

Securities transactions are conducted in one of two ways; first, through Gilford; second, by Advisory Representatives directly accessing Sterne, Agee & Leach, Inc.’s platform through eCustody®. Sterne, Agee & Leach, Inc., which clears all of GFC’s transactions executed through Gilford, is a subsidiary of Sterne Agee Group, Inc.

GFC has adopted a Code of Ethics in accordance with the provisions of the Investment Advisors Act of 1940. The Code sets forth GFC’s standards of business conduct reflecting its fiduciary obligations to its clients and specifically requires its Investment Advisory Representatives to comply with the Code of Ethics, as well as all applicable laws, regulatory rules and internal policies. A copy of the Code of Ethics can be obtained by calling GFC’s Compliance Department at 212-888-6400.

Gilford, as a broker dealer, effects securities transactions for its clients and charges commissions on such transactions. Gilford has written supervisory procedures in place that cover topics such as supervision of transactions, internal control procedures and conflicts of interest.

GFC does not buy or sell securities for its own account. Gilford, however, buys and sells securities for its own account, and, officers and employees of both companies might buy or sell securities that are recommended to advisory clients. Such transactions are monitored by GFC Compliance to discern any potential conflicts of interest.

The minimum investment for each fee-based program is \$25,000 for Select Funds Program and Advisors as Portfolio Manager Program, \$50,000 for Select Advisors Program, and \$100,000 for Select Managers Program. *See Fees and Compensation below.*

In the Advisor as Portfolio Manager Program program, advisers have discretionary trading authority within the parameters of each client's stated investment objectives and risk tolerance.

The broker dealer used for executing all GFC transactions is Gilford because Gilford is the parent of GFC. There are no commissions charged by Gilford to GFC clients.

GFC Investment Advisory Representatives receive credit for mutual fund 12b-1 fees.

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

As noted above, GFC offers four fee-based investment advisory programs created and maintained by Sterne Agee Asset Management, Inc. Sterne, Agee & Leach, Inc., clears all of GFC's transactions executed through Gilford. The four fee-based programs are:

- [1] Select Adviser Program – This is a non-discretionary program that allows the GFC Investment Advisory Representative the ability to provide investment advice and offers individual investors the flexibility to select and approve their own securities transactions;
- [2] Select Funds Program – This is a Sterne Agee Asset Management, Inc., managed discretionary mutual fund program that offers individual investors numerous managed portfolios composed of carefully selected mutual funds.
- [3] Advisor as Portfolio Manager Program – This is a program that offers access to portfolios comprised of products chosen directly by the GFC Investment Advisory Representative. These discretionary portfolios are constructed and rebalanced directly by the GFC Investment Advisory Representative using the Sterne Agee Asset Management, Inc., web-based platform;
- [4] Select Managers Program – This is a Sterne Agee Asset Management, Inc., managed program that offers individual investors access to numerous sub-advisors on a discretionary basis.

The minimum investment for each fee-based program is:

- \$25,000 for Select Funds Program and Advisor as Portfolio Manager Program,
- \$50,000 for Select Advisors Program, and
- \$100,000 for Select Managers Program.

In each of these programs, a quarterly fee is charged in advance based on account value, instead of charging a commission on each transaction. GFC and Gilford can share in the account fee and other fees associated with program accounts. GFC, Sterne Agee Asset Management, Inc., and the Portfolio Managers selected will share in a portion of the fee. Additional disclosure about fees and expenses is contained in the Disclosure Brochure of each of the programs.

Clients can terminate their advisory agreements within five (5) business days of signing their initial agreement without penalty. Thereafter, clients can terminate investment advisory services upon GFC's receipt of a client's written notice to terminate. When a client terminates investment advisory services during the middle of a quarterly period, the client will be issued a pro-rata refund of the advisory fee for the quarterly period from the date of termination to the end of the quarterly period.

Fee Schedule for (i) Asset as Portfolio Manager and (ii) Select Advisor Program

<b>TOTAL ACCOUNT VALUE</b>	<b>MAXIMUM FEE</b>
First \$250,000	3%
Between \$250,000 and \$1,000,000	2.5%
Above \$1,000,000	2%

Fee Schedule for Select Funds Program

<b>TOTAL ACCOUNT VALUE</b>	<b>MAXIMUM FEE</b>
First \$250,000	1.75%
Between \$250,000 and \$1,000,000	1.50%
Above \$1,000,000	1.15%

Fee Schedule for Select Managers Program

<b>TOTAL ACCOUNT VALUE</b>	<b>MAXIMUM FEE (EQUITY/BALANCED ACCOUNTS)</b>	<b>MAXIMUM FEE (FIXED INCOME ACCOUNTS)</b>
First \$250,000	2.75%	1.50%
Between \$250,000 and \$1,000,000	2.5%	1.25%
Between \$1,000,000 and \$2,000,000	2%	1%
Over \$2,000,000	Negotiable	Negotiable

Fees are negotiable and are not based on a share of capital gains/losses upon or capital appreciation/depreciation of the invested funds or any portion of the invested funds.

*Transaction Charges:*

While clients are charged a fee for advisory services, clients will be responsible for any fees and charges incurred by the client from third parties as a result of maintaining the account, such as transaction fees for any securities transactions executed and account maintenance or custodial fees.

GFC does not receive, directly or indirectly, any of the following fees charged to clients. They are paid to clients' broker, custodian or the mutual fund or other investments clients hold. The fees include, among others:

- Transaction fees
- Exchange fees
- SEC fees
- Advisory fees and administrative fees charged by Mutual Funds/Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for client account)
- Custodial Fees
- Deferred sales charges (on Mutual funds or annuities)
- Transfer taxes
- Wire transfer and electronic fund processing fees
- Postage and handling of account documents

### Third Party Managed Program (Select Managers Program)

This program has a number of third party managers. GFC will not directly conduct any securities transactions on behalf of the client or participate directly in the selection of the securities to be purchased or sold for the client. Investment decisions are made by the third party managers in accordance with the agreement between client and manager.

Clients will be charged an advisory fee that will include an advisory fee charged by the third party manager to GFC. Fees will be charged by and collected by the third party manager and the third party manager will allocate GFC's portion of the fee. Therefore, clients must refer to the third party manager's disclosure brochure for payment terms and conditions.

Clients are advised that fees for such programs may be higher or lower than if the client directly obtained the services of the third party manager, or if the client obtained advisory services separately. Clients should read the third party manager's disclosure brochure for additional disclosure of its managed program.

Clients can terminate GFC's advisory services, with written notice, within five (5) business days of client's execution of the advisory agreement without penalty. Thereafter, clients can terminate upon GFC's receipt of client's written notice to terminate. Clients will be responsible for a prorated portion of the advisory fee for the period during which advisory services were provided and fees were not charged.

### **General Disclosures**

Advice offered by Advisory Representatives can involve investment in mutual funds outside of the advisory program. Some mutual funds carry loads (i.e. sales charges) that can be up-front or on a contingent deferred basis, or can be no-loads with no initial or contingent deferred sales charges. Clients are advised that Advisory Representatives are also registered representatives of Gilford. Therefore, Advisory Representatives have a conflict of interest in recommending mutual funds outside of the advisory program that carry a load since such mutual funds will pay Advisory Representatives a commission should the purchase be made through Advisory Representatives. GFC supervisory personnel and Compliance personnel review account trading to determine whether advisory clients that are also brokerage clients are being treated fairly. Lower fees for comparable services may be available from other sources.

Clients are advised that the investment recommendations and advice offered by GFC are not legal/accounting recommendations or advice. Clients should discuss the impact of financial advice with their attorney and/or accountant. Clients are advised that it is necessary to inform GFC promptly with respect to any changes in the client's financial situation and investment goals and objectives. Failure to notify GFC of any such changes could result in investment recommendations being made that are based upon inaccurate information, and thus will not meet the needs of the client.

The level of experience of Advisory Representatives will vary. Additionally, the fees charged by various Advisory Representatives will not exceed the fee schedules disclosed herein, however the fees can vary. Therefore, clients receiving similar services from different Advisory representatives may pay higher or lower fees than another client depending on their Advisory Representative and the fee charged. A higher fee is not necessarily commensurate with the experience of the Advisory Representative.

A conflict of interest exists between the interests of GFC and/or its Advisory Representatives, and the interests of the client in that GFC and Advisory Representatives offering investment advisory services for a fee also offer various securities products for which they are paid a commission. The securities products available through GFC are limited to certain products that have been reviewed and made available for offering through the broker/dealer with which Advisory Representatives are registered representatives.

Lower fees for comparable services may be available from other sources. Material conflicts of interest disclosed to the client in writing via this Form ADV, Part 2 could cause GFC or its Advisory Representatives to not render unbiased and objective advice.

GFC, from time-to-time, receives rebates of fees related to its money market sweep accounts. These amounts are not fixed nor are they an incentive for GFC to hold these accounts in a certain way.

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

GFC does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance based fees). Our advisory fee compensation is charged only as disclosed above. In addition, GFC does not engage in side-by-side management.

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

We provide our services to a number of clients:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Not for profit entities
- Institutions, including banking or thrift institutions
- Retirement Plans
- Sole Proprietorships



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

GFC provides asset management services on an ongoing basis based on the individual needs of the client. The management program through GFC offers clients flexibility among payment structures, custodians, and management styles. Management will be on an active basis. Thus, GFC will actively monitor the assets in the account and make changes deemed appropriate in light of the circumstances in the market, based upon the expertise of GFC Advisors.

Accounts are custodied at Sterne, Agee & Leach, Inc., a registered broker/dealer, Member FINRA, NYSE and SIPC. Sterne, Agee & Leach, Inc., is a “qualified custodian” as that term is defined in Rule 206(4)-2 (a) (1) of the Investment Advisers Act of 1940.

Clients’ portfolios consist of stocks, bonds, no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable for the client by GFC.

Clients are advised that transactions in an account, account reallocations and rebalancing can trigger a taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. GFC does not offer tax advice and clients are urged to consult with their tax advisers.

GFC uses the following securities analysis methods: Technical, Charting, and Fundamental.

Technical: Using this approach, GFC uses statistics to determine trends in securities prices. Based upon the trends, investment decisions are made. This method focuses on such things as trade volume, demand, and volatility.

Charting: Using this approach, GFC charts patterns and trends of securities trading, and uses the charts to develop investment advice.

Fundamental: Using this approach, GFC measures a security’s value by reviewing various economic, financial, qualitative and quantitative factors. As part of this analysis GFC reviews an issuer’s:

- P/E Ratio: (Price per share/Earnings per share), which identifies a stock’s price relative to the company’s earnings
- P/S Ratio: (Price per share/Sales per share), which identifies a stock’s price relative to the company’s sales or revenues.
- Cash/Working Capital: which reviews how much cash/working capital a company has on hand for the day-to-day operation of its business.

GFC obtains information to analyze securities from: financial newspapers and magazines, timing services, inspection of corporate activity, research materials prepared by others, annual reports, prospectuses, filings with the Securities and Exchange Commission, corporate ratings services, and company press releases.

The investment strategies used to implement any investment advice given to clients include: long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), and margin transactions.

### Risk of Loss:

Securities markets fluctuate substantially over time. All investments in securities include a risk of loss of money invested (principal) and any unrealized profits (i.e., profits in the account that have not been liquidated, sometimes called “paper profits”). In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets GFC manages that are out of our control. We cannot guarantee any level of performance or that clients will not experience a loss of client account assets.

GFC does not represent, warrant or imply that the services or methods of analysis used by GFC can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that client’s goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by GFC will provide a better return than other investment strategies.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment and thus long-term performance and performance consistency are the major goals.

No guarantees can be offered that client’s goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by GFC will provide a better return than other investment strategies.

## **Item 9. Disciplinary Information**

GFC is obligated to disclose any disciplinary event that would be material to clients, or potential clients, when evaluating GFC to continue a client-Adviser relationship, or to initiate a client-Adviser relationship with us. GFC’s principal owner Gilford has been the subject of regulatory actions, as follows:

In 2006, Gilford was fined \$12,500 and censured by the NASD (now FINRA) which found that 34 of 83 order tickets were inaccurately time stamped, and that the Form U5 termination notices for 3 former representatives were not updated to reflect arbitration settlements, and that the Forms U5 for five former representatives were not updated within 30 days.

Also in 2006, Gilford was found by NASD (now FINRA) to have failed to report to TRACE complete information regarding a number of trades between July 2002 and March 2004 and failed to disclose to clients the yield at which 23 trades were conducted during July 2004 and March 2004. Also, the firm’s supervisory procedures did not state how TRACE supervision would be conducted and documented. The firm was censured and paid a \$30,000 fine.

In 2011, the Securities & Exchange Commission (SEC) brought an action against Gilford Securities Incorporated, Ralph Worthington IV, David S. Kaplan, and Richard W. Granahan. The SEC found that Gilford failed to reasonably supervise a former registered representative with a view to preventing rule violations, and willfully violated Sections 5(a) and 5(c) of the Securities Act of 1933 (1933 Act), and Rule 10(a) of Regulation S-P, and Section 17(a) of the Securities & Exchange Act of 1934 (1934 Act) and Rules 15b7-1, 17a3-(12) and 17a-8 thereunder. Gilford was ordered to cease and desist from committing or

causing any future violations of these rules. Gilford was also censured and ordered to pay disgorgement of \$275,000 and prejudgment interest of \$77,113, pay a civil fine of \$260,000, and to comply with undertakings required by the SEC. Ralph Worthington IV was found to have failed to reasonably supervise a former registered representative with a view to preventing rule violations, and that Worthington willfully aided and abetted violations of Sections 15(b) (7) and 17(a) of the 1934 Act and Rules 15b-7 and 17a3 (12) thereunder. Worthington was ordered to cease and desist from committing or causing any future violations of these rules, suspended for 12 months from association in a supervisory capacity with any broker dealer, to pay a civil fine of \$45,000, and to comply with undertakings ordered by the SEC. David S. Kaplan was found to have failed to reasonably supervise a former registered representative with a view to preventing rule violations, and that Kaplan willfully aided and abetted and caused Gilford's violations of Rule 10(a) of Regulation S-P. Kaplan was ordered to be suspended for 12 months from association in a supervisory capacity with any broker dealer, to pay disgorgement of \$225,000 and prejudgment interest of \$63,092, and pay a civil fine of \$30,000, and to comply with undertakings ordered by the SEC. Richard W. Granahan is no longer associated with Gilford Securities Incorporated.

In 2014, Gilford was fined \$125,000 and censured for certain violations that were noted during Gilford's 2012 FINRA examination. Gilford was found to have violated: (i) NASD Conduct Rule 2711(h)(1)(c) for failing to disclose that its research analysts may have received commissions on transactions by the analyst's customers in securities covered by the analyst; (ii) NASD Conduct Rule 2711(h)(10) for failing to reference on the first page where disclosures are made in the research report; (iii) NASD Conduct Rule 2711(i) for failing to adequately implement supervisory procedures concerning the disclosure of actual or potential conflicts of interest; and (iv) NASD Conduct Rule 2710(a) and Rule 2710(b) in failing to evidence supervisory approval of certain research reports. Gilford was also found to have been in violation of NASD Conduct Rule 3012 and FINRA Rule 2010 for failing to establish, maintain and enforce procedures to provide heightened supervision of producing managers and for failing to notify FINRA of the Firm's reliance of the Limited Size and Resources Exception. Gilford was also found to have violated FINRA Rules 3310(b) and 2010 for failing to properly identify the identity of 12 new customers and resolving discrepancies relating to 13 new customers opening accounts.

Also in 2014, Gilford was fined \$25,000 and censured for violation of NASD Rule 2210(d)(1) and FINRA Rule 2010 for making erroneous statements in research reports on a pharmaceutical company during the period August 1, 2012 to January 10, 2013. Gilford's research reports erroneously represented that a prominent medical research university was involved in the human study of the subject company's dietary supplements. The nature of the inaccurate representation was that a doctor, who was the head of the university's endocrinology department and which studies were posted on the university's website, participated as an independent consultant to the pharmaceutical company in the human study, and not the university.

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

### *Advisory Representatives are also Registered Representatives*

GFC Advisory Representatives are also Registered Representatives of Gilford, a registered Broker/Dealer, member FINRA, MSRB, and SIPC. Clients are under no obligation to purchase or sell securities through a brokerage account with the Advisory Representatives. However, if a client chooses to implement

purchases and sales through a Gilford brokerage account, commissions will be earned by Advisory Representatives in addition to any fees paid for advisory services. Commissions may be higher or lower at Gilford than at other broker/dealers. GFC Compliance reviews account trading to determine whether advisory clients that are also brokerage clients are being treated fairly.

Advisory Representatives have a conflict of interest in having clients purchase securities and/or insurance related products through Gilford in that the higher the Advisory Representatives' production with Gilford the greater potential for obtaining a higher pay-out on commissions earned.

Further, Advisory Representatives are restricted to only offering products and services that have been reviewed and approved for offering to the public through Gilford. They spend varying amounts of their time offering securities products on a commission basis. Some Advisory Representatives spend significantly more or less time offering commissionable products and services through Gilford.

### *Insurance*

Gilford Insurance Agency is an insurance agency and offers insurance products and services for which commissions will be paid. Some Advisory Representatives and other related persons of GFC are licensed with Gilford Insurance Agency and/or various insurance companies. GFC, its Advisory Representatives and related persons have a conflict of interest when recommending that clients purchase insurance products since commissions will be earned in addition to fees for advisory services. Clients are not obligated to purchase insurance products through Gilford Insurance Agency or other insurers. Advisory Representatives who hold insurance licenses spend varying amounts of their time offering insurance products. Some Advisory Representatives spend significantly more or less time offering insurance products and services. The principal business of GFC is not to offer insurance products and services. Less than 5% of GFC's resources are dedicated to insurance business.

### *Certified Public Accountants (CPAs)*

Certain Advisory Representatives are certified public accountants (CPAs) and offer accounting services through their accounting practice. GFC does not endorse or recommend the services of the Advisory Representatives in their capacity as CPAs. Further, none of the services offered by GFC are to be considered legal or accounting services. Clients are under no obligation to participate in accounting services offered by Advisory Representatives who are CPAs.

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

As discussed below, GFC has in place a Code of Ethics that provides for GFC and its Advisor Representatives to exercise its fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. GFC takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations, as well as with GFC's policies and procedures.

## Code of Ethics

GFC has a fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. GFC takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as with GFC's policies and procedures. Further, GFC strives to handle clients' non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides clients with GFC's Privacy Policy. As such, GFC maintains a Code of Ethics for its Advisory Representatives, supervised persons and staff.

The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about client transactions. Further, GFC's Code of Ethics establishes GFC's expectation for business conduct.

GFC's Code of Ethics is distributed to each employee and Advisor at the time of hire/contract, and, as the Code is modified. In addition, GFC requires an annual certification by all employees/Advisors regarding their understanding and compliance with the Code of Ethics. GFC also supplements the Code with annual training and on-going monitoring of employee activity.

A copy of our Code of Ethics will be provided to any client or prospective client upon request to our Compliance Department at 212-888-6400.

## Participation or Interest in Client Transactions

Advisory Representatives are registered representatives with Gilford and must execute securities transactions through Gilford, unless Advisory Representatives obtain authorization to execute securities transactions through another broker/dealer.

Related persons of GFC (any advisory affiliate and any person that is under common control with GFC) can buy or sell securities identical to those securities recommended to clients. Therefore, related persons will have an interest or position in certain securities that are also recommended and bought or sold to clients. The policy of GFC is that related persons shall not put their interests before a client's interest. Advisory Representatives may not trade ahead of their clients or trade in such a way to obtain a better price for themselves than for their clients. GFC is required to maintain a list of all securities holdings for its associated persons. Further, associated persons are prohibited from trading on non-public information or sharing such information. GFC and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

In accordance with Section 204A of the Investment Advisers Act of 1940, GFC also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by GFC or any person associated with GFC. Further, the Code of Ethics contains prohibitions against such transactions.

## **Item 12. Brokerage Practices**

Brokerage transactions are executed through Gilford, which in turn routes the orders through Sterne, Agee & Leach, Inc. Gilford is an “introducing” firm that has contracted with Sterne, Agee & Leach, Inc., to clear all of its brokerage trades.

### **A.1. Research and Other Soft Dollar Benefits**

Not Applicable

### **A.2. Brokerage for Client Referrals**

Not applicable

### **A.3. Directed Brokerage**

GFC does not engage in directed brokerage transactions for clients.

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

GFC maintains a compliance program designed to conduct periodic reviews of client accounts. All transactions are reviewed on a daily basis by the supervisory personnel in the branches and by Compliance. Compliance also reviews accounts annually to discern accounts with little or no activity. Clients will receive a trade confirmation for each transaction and will also receive monthly customer statements (or quarterly statements if there are no transactions during the quarter).

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

GFC may compensate persons or firms for client referrals in compliance with the Adviser's Act and state securities rules and regulations. The fees paid to referral sources do not affect the fees clients pay to GFC. In each instance, a written agreement will exist between the Advisor and the referral source. At the time of a referral, prospective advisory clients will receive the Advisor's ADV Part 2 and a Solicitor's Disclosure Document. GFC has established policies and procedures to ensure that its solicitation activities are compliant with the requirements under Rule 206(4)-3 of the Adviser's Act.

## **Item 15. Custody**

GFC does not take custody of client assets or securities. However, account assets are custodied at Sterne, Agee & Leach, Inc., a registered broker-dealer, Member FINRA, NYSE and SIPC. Sterne, Agee & Leach, Inc., which clears all of GFC's transactions, is a subsidiary of Sterne Agee Group, Inc. Clients will be provided with account statements reflecting the transactions occurring in the client's account at least on a quarterly basis, direct from the account custodian. Clients should carefully review those statements for accuracy.

## **Item 16. Investment Discretion**

For the Select Funds, Advisor as Portfolio Manager and Select Managers Programs, clients grant GFC authorization to manage a client's advisory account on a discretionary basis. Discretionary authorization provides GFC the ability to determine the securities to be purchased and sold and when such securities are purchased and sold. Clients will not always be aware of the transactions until after they have occurred. Clients will grant such authority to GFC by execution of the client agreement. Should a client desire to terminate the discretionary approval, the client will need to close out of the program and go into a non-discretionary program.

Additionally, clients are advised that:

- 1) Advisory Representatives must obtain written client consent to establish any mutual fund, variable annuity, or brokerage account;
- 2) GFC requires the use of Advisory Representative's broker/dealer (Gilford Securities Incorporated) for sales in commissionable mutual funds or variable annuities.
- 3) GFC will not have the ability to withdraw client's funds or securities from the account.

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

Clients are advised that GFC does not vote proxies on clients' behalf or take responsibility in any way to ensure clients securities are voted on the Select Advisor Program and the Advisor as Portfolio Manager Program accounts.

SAAM will vote proxies for all advisory accounts over which it exercises discretion, with the exception of Select Managers Program accounts in which discretion has been given to a third-party investment advisor and as further described directly below. You may revoke delegation of proxy voting authority to SAAM at any time by written notice to GFC which notice will be forwarded to SAAM. SAAM uses a third-party proxy voting service to provide independent, objective research and voting recommendations and to vote proxies on your behalf, in accordance with the third-party's policies and procedures.

In the Select Managers Program, you may have authorized a third-party investment advisor to vote proxies on your behalf. In those instances, your custodian will forward the proxy materials to the third-party investment advisors who vote proxies on your behalf. Some investment advisors delegate proxy voting to external proxy voting services. Select Managers Program clients may revoke delegation of proxy voting authority to third-party money managers at any time by written notice to GFC which notice will be forwarded to SAAM. Please refer to the respective investment advisors' Form ADV for a full disclosure of its proxy voting policies and procedures.

Clients may contact their financial advisor if they have a question on particular proxy voting matters or solicitations.

## **Item 18. Financial Information**

As noted above, GFC has full discretionary authority over the trading in clients' accounts for the Select Funds, Advisor as Portfolio Manager and Select Managers Programs. GFC does not have custody of client funds or securities. Should GFC encounter a financial condition that would impair GFC's ability to meet its commitments under contracts with clients, such financial condition will not have a negative impact on client accounts for the following reasons. First, as noted above Sterne, Agee & Leach, Inc., is a "qualified custodian" that maintains custody of client assets. Second, Gilford wholly owns GFC, and Gilford maintains excess capital in sufficient amounts to assist with GFC's ability to meet its commitments under contracts with clients.

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

Not Applicable