

## Item 1. Cover Page

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

#### **Gilford Financial Corp.**

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Fax 212-223-1683  
September 28, 2011

**This brochure provides information about the qualifications and business practices of Gilford Financial Corp. 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 Gilford Financial Corp. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

Gilford Financial Corp. 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 an interim update to the Form ADV Part 2. The last update was March, 2011. 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.

The material changes in this brochure are:

- The Firm now engages in Financial Planning and Financial Consulting. See Item 4 below. The fees for Financial Planning and Financial Consulting are included in Item 5.
- Item 4 has been updated to include revised figures regarding assets under management.
- Item 5 has been modified to indicate that Gilford Financial Corp. does not aggregate trades for clients, and to indicate that the Firm, from time-to-time, receives rebates of fees related to its money market sweep accounts. In addition, language has been added to Item 5 to include disclosure regarding the all-inclusive fee for advisory services, as well as fees for mutual funds.
- Item 8 has been changed to indicate that First Clearing Corporation is the custodian of assets.
- Item 9 has been changed to include an additional disciplinary event.
- Item 15 and Item 18 have been changed to indicate the Gilford Financial Corp. does not take custody of client assets.

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## Item 4. Advisory Business

Gilford Financial Corp. was formed in 1995. Its principal owner is Gilford Securities Incorporated. Gilford Securities Incorporated is a broker-dealer registered with the Securities and Exchange Commission and is a member of FINRA, SIPC and MSRB.

The following individuals are the principals/officers of Gilford Financial Corp.:

Robert A. Maley (Born 1964) is the Chief Executive Officer, Treasurer, and a Director of Gilford Financial Corp. Mr. Maley is also a registered representative and registered principal of Gilford Securities Incorporated.

Henry “Hank” Sanchez, Jr. (Born 1955) is the Chief Compliance Officer of Gilford Financial Corp. Mr. Sanchez is also a registered representative and registered principal of Gilford Securities Incorporated.

Bonnie J. Edelman Sachs (Born 1959) is the Chief Financial Officer, Chief Operating Officer, and a Director of Gilford Financial Corp. Ms. Sachs is also a registered representative and registered principal of Gilford Securities Incorporated, and also of Barrett Securities Inc., an affiliated entity of Gilford Financial Corp.

Ralph Worthington IV (Born 1946) is the President and a Director of Gilford Financial Corp. Mr. Worthington is also a registered representative and registered principal of Gilford Securities Incorporated, and also of Barrett Securities Inc., an affiliated entity of Gilford Financial Corp.

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

As of August 31, 2011, Gilford Financial Corp.’s discretionary assets under management were \$ 68,064,346 in 199 accounts. Non-discretionary assets under management were \$ 29,527,237 in 196 accounts. The total assets under management were \$ 97,591,583 in 395 accounts.

### Fee-Based Advisory Programs

Gilford Financial Corp. offers six fee-based investment advisory programs created and maintained by Wells Fargo & Company. The six fee-based programs are:

- [1] Private Investment Management [PIM]
- [2] Asset Advisor [AA]
- [3] Custom Choice [CC]
- [4] FundSource [FS]
- [5] Masters Program [MP]
- [6] Private Advisor Network [N]

## Financial Planning and Financial Consulting

Gilford Financial Corp. offers various types and levels of financial planning and consulting services. The level and type of services will vary among the Advisory Representatives and will depend on the needs of the client. Services include, but are not limited to, the following examples of services.

- [1] Retirement Analysis and Planning
- [2] Financial Planning
- [3] Educational Planning
- [4] Estate Planning
- [5] Tax Planning
- [6] Insurance Needs Analysis: Life, Disability, Long Term Care
- [7] Small Business Review and Planning
- [8] Savings Review and Planning
- [9] Other planning and consulting services as requested by the client and agreed to by the Advisory Representative

Gilford Financial Corp. will gather financial information and history from clients, which includes, among other things, retirement and financial goals, investment objectives, investment horizon, financial needs, cash flow analysis, cost of living needs, education needs, savings tendencies, and other applicable financial information required by Gilford Financial Corp. in order to provide the investment advisory services requested.

As stated above, the level and type of services will depend on the needs of the client. Depending on the services requested, clients may receive a written analysis, summary or plan. One or more meetings may be necessary with the client and could involve other professionals, as invited and agreed to by the client, such as attorneys and/or certified public accountants.

Planning and consultative services are based on the client's financial situation at the time and are based on financial information disclosed by the client to Gilford Financial Corp. Clients are advised plans contain certain assumptions that are made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. Gilford Financial Corp. cannot offer any guarantees or promises that clients' financial goals and objectives will be met. Further, clients must continue to review any plan or analysis and update the plan based upon changes in the client's financial situation, goals objectives or changes in the economy. Should a client's financial situation, investment goals or objectives change, clients must notify Gilford Financial Corp. promptly of the changes.

Clients are advised fees for planning and/or consultative services are strictly for the planning services. Therefore, clients will pay fees and/or commissions for additional services obtained, such as asset management or products purchased such as securities or insurance.

## Securities Transactions

Securities transactions are conducted in one of two ways; first, through Gilford Securities Incorporated; second, by Advisory Representatives directly accessing First Clearing Corporation's platform through SmartStation®. First Clearing Corporation LLC, which clears all of Gilford Financial Corp.'s transactions, is an indirect majority owned subsidiary of Wells Fargo & Company.

Education and business experience of direct supervisors of individuals offering investment advisory services:

Harvey Silvester, born 1946, attended Pace College (University) in New York City. He has been employed at Gilford Securities Incorporated since 2002 as a Branch Manager in New York, NY. Prior to that, Mr. Silvester was President of Berlind Securities Incorporated starting in 1978. Mr. Silvester is also a registered representative and registered principal of Gilford Securities Incorporated.

Scott Wyman, born 1974, graduated Hofstra University with a BA in Psychology, and has been employed since October 2003 as assistant branch manager of Gilford Securities' Melville, NY office. Prior to that Mr. Wyman worked as an investment advisor for Mellon Advisors starting in May of 2002. Mr. Wyman is also a registered representative and registered principal of Gilford Securities Incorporated.

Stephen Curry, born 1948, attended University of Denver and Colorado State University in the late 60s with studies in Biological Science and Pre-Veterinary Medicine, and has been employed by Gilford Securities as a branch manager since 1996. Mr. Curry is also a registered representative and registered principal of Gilford Securities Incorporated.

Education and business experience of principal executive officers:

Ralph Worthington IV: President and Director, born 1946, spent two years at University of Pennsylvania, and has been employed as chairman and CEO of Gilford Securities Incorporated since 1979. Mr. Worthington is also chairman and CEO of Barrett Securities Inc., a dormant broker dealer.

Robert A. Maley: CEO, Treasurer and Director, born 1964, graduated LeMoyne College, BS Accounting, has been employed as head of Corporate Finance of Gilford Securities Incorporated since 1996 and was named President of Gilford Securities on August 1, 2005.

Bonnie J. Edelman Sachs: CFO, Director and COO, born 1959, graduated St. John's University with an MBA in Finance and graduated Brooklyn College, with a BA Economics. She has been employed by Gilford Securities Incorporated since 1980 and has been its CFO since 1989. Ms. Sachs is also CFO of Barrett Securities.

Henry "Hank" Sanchez Jr., CCO; born 1955, graduated Richard Stockton State College with a BA in Criminal Justice; he also graduated Rutgers University Law School with a JD degree, and obtained an L.L.M. Degree in Securities Regulation from Georgetown University Law School. Mr. Sanchez is also the CCO of Gilford Securities Incorporated.

The principal officers of Gilford Financial Corp. are also principal officers of Gilford Securities Incorporated, the parent of Gilford Financial Corp.

Gilford Financial Corp. has adopted a Code of Ethics in accordance with the provisions of the Investment Advisors Act of 1940. The Code sets forth Gilford Financial Corp.'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, rules and internal policies. A copy of the Code of Ethics can be obtained by calling Gilford Financial Corp.'s Compliance Department at 212-888-6400.

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

Neither Gilford Financial Corp. nor Gilford Securities Incorporated buys and sells securities for its own account. However, officers and employees of both companies might buy or sell securities that are recommended to advisory clients. Such transactions are monitored by Compliance to discern any potential conflicts of interest.

The minimum investment for each fee-based program is \$25,000 for FundSource and Custom Choice, \$50,000 for Private Investment Management and Asset Advisor and \$100,000 for Masters Program and Private Advisor Network.

In the Private Investment Management program advisers have unlimited authority within the parameters of each client's stated investment objectives and risk tolerance.

The broker dealer used for executing all of Gilford Financial Corp. transactions is Gilford Securities Incorporated because Gilford Securities Incorporated is the parent of Gilford Financial. There are no commissions charged to Gilford Financial Corp. clients.

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

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

As noted above, Gilford Financial Corp. offers six fee-based investment advisory programs created and maintained by Wells Fargo & Company. First Clearing LLC, which clears all of Gilford Financial Corp.'s transactions through Gilford Securities Incorporated, is an indirect majority owned subsidiary of Wells Fargo & Company. The six fee-based programs are:

- [1] Private Investment Management [PIM] - In this program, the Gilford Financial Corp. Investment Advisory Representative manages client accounts on a discretionary basis;
- [2] Asset Advisor [AA] – In this program, the Investment Advisory Representative manages client accounts on a non-discretionary basis;
- [3] Custom Choice [CC] - In this program, the Investment Advisory Representative and client create a custom-tailored mutual fund portfolio selecting from over 3600 no-load or load-waived mutual funds;
- [4] FundSource [FS] – In this program, the client and Investment Advisory Representative provide to Wells Fargo the client's investment objective, risk tolerance and asset allocation and Wells Fargo selects mutual funds based on that information;
- [5] Masters Program [MP] – In this program, the client and Investment Advisory Representative select an outside investment advisor from an approved list of advisors screened by Wells Fargo;
- [6] Private Advisor Network [N] – In this program, the client and Investment Advisory Representative choose an outside advisor not on Wells Fargo's advisor list.

The minimum investment for each fee-based program is:

- \$25,000 for FundSource and Custom Choice,
- \$50,000 for Private Investment Management and Asset Advisor, and
- \$100,000 for Masters Program and Private Advisor Network.

In each of these programs a quarterly fee is charged in advance based on account value, instead of charging a commission on each transaction. Gilford Financial Corp. and Gilford Securities Incorporated may share in the account fee and other fees associated with program accounts. Gilford Financial Corp., Wells Fargo 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.

Clients can terminate their agreements within five (5) business days of signing their initial agreement without penalty, and thereafter can terminate at will upon written notice, and receive a pro-rata refund of fees.

Fee Schedule for PIM, AA, and N

<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 CC and FS

<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 MP

<b>TOTAL ACCOUNT VALUE</b>	<b>MAXIMUM FEE (EQUITY/BALANCED ACCOUNTS)</b>	<b>MAXIMUM FEE (FIXED INCOME ACCOUNTS)</b>
First \$500,000	2.75%	1.50%
Between \$500,000 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 funds or any portion of the funds.

*Transaction Charges:*

While Clients are charged an all-inclusive fee for advisory services, Clients will be responsible for any fees and charges incurred by 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. Thereafter, clients can terminate investment advisory services upon Gilford Financial Corp.'s receipt of clients' written notice to terminate. When a client terminates investment advisory services during 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.

Gilford Financial Corp. does not receive, directly or indirectly, any of these fees charged to clients. They are paid to client 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

Gilford Financial Corp. does not aggregate trades for clients.

#### Third Party Managed Program (Masters Program and Private Advisor Network)

These programs have a number of third party managers. Gilford Financial Corp. 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 manager 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 Gilford Financial Corp. Fees will be charged by and collected by the third party manager and the third party manager will allocate Gilford Financial Corp.'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 Gilford Financial Corp.'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 Gilford Financial Corp.'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.

#### Financial Planning/Consulting Fee Schedule

Financial Planning/Consulting Fees are separate from advisory fees discussed above. Financial Planning/Consulting Fees are negotiable. Each Advisory Representative will negotiate a financial planning/consulting fee with the client and quote a fee prior to any services being rendered. Upon agreement with clients, Advisory Representatives will charge based on either a flat fee or hourly fee. The fee will be based on several factors including but not limited to: the services requested by the client, the complexity of the client's situation, the number of meetings required to complete the requested services, number of parties involved or other professionals, areas of review and analysis, staff resources, travel, time and research needed, and savings to the client as a result of the services. Further, Advisory Representatives can charge different fees based on the Advisory Representative and the level of experience.

Flat fees generally range up to \$15,000 for individual planning services. For corporate benefit plans, consulting fees will generally be 50 basis points based on the value of plan assets. Up to 50% of the planning or consulting fee will be due upon execution of the Agreement with Gilford Financial Corp., unless otherwise negotiated. The plan assets will be valued quarterly by the qualified custodian. Gilford Financial Corp. retains the ability to negotiate a payment schedule with the client. Under no circumstances shall a client be requested to prepay more than \$500 and six or more months in advance of the service. Fees are negotiable.

Hourly fees will range up to \$500 per hour. Typically, clients will be provided an estimate of the amount of time needed for the services. A deposit in the amount of one-half (1/2) of the estimated fee may be requested in advance. Under no circumstances shall a client be requested to prepay more than \$500 and six or more months in advance of the service. Alternatively, clients may negotiate with the Advisory Representative to pay hourly fees in arrears on a monthly basis promptly upon receipt of an invoice from the Advisory Representative. Fees are negotiable.

Clients can terminate, with written notice to Gilford Financial Corp., planning and/or consulting advisory services within five (5) business days after entering into the advisory agreement, without penalty; after five (5) business days of entering into the financial planning advisory agreement, clients can terminate upon Gilford Financial Corp.'s receipt of a client's written notice to terminate. Prepaid fees will be refunded to clients based on time spent by Gilford Financial Corp. multiplied by the hourly rate. After completion and presentation of the services no refunds will be issued.

### **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 registered representatives of Gilford Securities Incorporated, a registered broker/dealer, member of the Financial Industry Regulatory Authority ("FINRA") and SIPC. Therefore, Advisory Representatives have a conflict of interest in recommending mutual funds that carry a load since such mutual funds will pay Advisory Representatives a commission should the purchase be made through Advisory Representatives. Lower fees for comparable services may be available from other sources.

Clients are advised that the investment recommendations and advice offered by Gilford Financial Corp. are not legal/accounting recommendations or advice. Clients should coordinate and discuss the impact of financial advice with their attorney and/or accountant. Clients are advised that it is necessary to

inform Gilford Financial Corp. promptly with respect to any changes in the client's financial situation and investment goals and objectives. Failure to notify Gilford Financial Corp. 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 but can vary. Therefore, clients receiving similar services may pay higher or lower fees than another client depending on their Advisory Representative. A higher fee is not necessarily commensurate with the experience of the Advisory Representative.

A conflict of interest exists between the interests of Gilford Financial Corp. and/or its Advisory Representatives, and the interests of the client in that Gilford Financial Corp. and Advisory Representatives offering financial planning and investment advisory services for a fee also offer various securities products for which they are paid a commission. The securities products available through Gilford Financial Corp. 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 Gilford Financial Corp. or its Advisory Representatives to not render unbiased and objective advice.

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 but may vary. Therefore, clients receiving similar services can pay higher or lower fees than another client depending on their Advisory Representative. A higher fee is not necessarily commensurate with the experience of the Advisory Representative.

The Firm, 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 the Firm to hold these accounts in a certain way.

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

Gilford Financial Corp. 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, Gilford Financial Corp. 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
- Private equity
- Corporations or other business entities
- Governmental plans, municipalities
- Not for profit entities
- Institutions, including banking or thrift institutions
- Retirement Plans

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

Gilford Financial Corp. provides asset management services on an ongoing basis based on the individual needs of the client. The management program through Gilford Financial Corp. offers clients flexibility among payment structures, custodians, and management styles. Management will be on an active basis. Thus, Gilford Financial Corp. 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 Gilford Financial Corp. Advisors.

Accounts are custodied at First Clearing Corporation, a registered broker/dealer, Member FINRA, MSRB and SIPC.

Clients' portfolios may consist of stocks, bonds, no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable to the client by Gilford Financial Corp. Clients are advised that transactions in the 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. Gilford Financial Corp. does not offer tax advice and clients are urged to consult with their tax advisers.

Gilford Financial Corp. uses the following securities analysis methods: Technical, Charting, and Fundamental.

Technical: Using this approach, Gilford Financial Corp. uses statistics to determine trends in security 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, Gilford Financial Corp. charts patterns and trends of securities trading, and uses the charts to develop investment advice.

Fundamental: Using this approach, Gilford Financial Corp. measures a security's value by reviewing various economic, financial, qualitative and quantitative factors. As part of this analysis Gilford Financial Corp. 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.

Gilford Financial Corp. 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 Gilford Financial Corp. 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.

Gilford Financial Corp. does not represent, warrant or imply that the services or methods of analysis used by Gilford Financial Corp. 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 Gilford Financial Corp. 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 Gilford Financial Corp. will provide a better return than other investment strategies.

## **Item 9. Disciplinary Information**

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

In 2000, the Connecticut Department of Banking found that Gilford Securities Incorporated inadvertently violated a prior (1996) consent order in which the state found that the firm may have allowed securities sales prior to certain representatives becoming registered in the state, and sold

unregistered securities, and failed to apply its supervisory procedures. Gilford Securities Incorporated entered into a consent order, paid a \$20,000 fine and rescinded transactions to Connecticut residents. In the 2000 consent order, the state found that Gilford Securities Incorporated inadvertently violated the 1996 order by selling an IPO to Connecticut residents without having another selling group undertake 30% of the issue. The prior consent order was reinstated for three years and the firm paid a \$50,000 fine, plus \$10,000 in costs and \$15,000 for investor education.

In 2001, the NASD (now known as FINRA) found that during 1997, Gilford Securities Incorporated failed to report 10 trades within 90 seconds and failed to identify them as late. Also, the firm failed to report 2 third market trades within 90 seconds and failed to identify them as late. Further, the firm failed to report 23 short sales to ACT using the short sale indicator. In 1998, the firm failed to display timely 13 customer limit orders. The firm was censured and fined \$9500.

In 2006, Gilford Securities Incorporated was fined \$12,500 and censured by the NASD 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 Securities Incorporated was found by NASD 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 Securities Incorporated 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 Securities Incorporated was ordered to cease and desist from committing or causing any future violations of these rules. Gilford Securities Incorporated 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.

## Item 10. Other Financial Industry Activities and Affiliations

### *Advisory Representatives are also Registered Representatives*

Gilford Financial Corp. Advisory Representatives are also Registered Representatives of Gilford Securities Incorporated, a registered Broker/Dealer, member FINRA, MSRB, and SIPC. Clients are under no obligation to purchase or sell securities through Advisory Representatives. However, if a client chooses to implement the recommendations, commissions will be earned by Advisory Representatives in addition to any fees paid for advisory services. Commissions may be higher or lower at Gilford Securities Incorporated than at other broker/dealers.

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

Further, Advisory Representatives are restricted to only offering those products and services that have been reviewed and approved for offering to the public through Gilford Securities Incorporated. They spend approximately 30% of their time offering securities products on a commission basis. However, the amount of time spent by each Advisory Representative will vary. Some Advisory Representatives spend significantly more or less time offering commissionable products and services through Gilford Securities Incorporated.

### *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 Gilford Financial Corp. are licensed with Gilford Insurance Agency and/or various insurance companies. Gilford Financial Corp., its Advisory Representatives and related persons have a conflict of interest to recommend 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 Financial Corp. or its Advisory Representatives. Advisory Representatives spend approximately 5% of their time offering insurance products. However, the amount of time spent by each Advisory Representative will vary. Some Advisory Representatives spend significantly more or less time offering insurance products and services. The principal business of Gilford Financial Corp. is not to offer insurance products and services. Less than 5% of Gilford Financial Corp.'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. Gilford Financial Corp. does not endorse or recommend the services of the Advisory Representatives in their capacity as CPAs. Further, none of the services offered by Gilford Financial Corp. 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.

### *Other Products and Services*

Some Advisory Representatives receive benefits (such as assistance with conferences and educational meetings) by product sponsors assisting with the costs of such events.

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

As discussed below, Gilford Financial Corp. has in place a Code of Ethics that provides for Gilford Financial Corp. 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. Gilford Financial Corp. takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations, as well as with Gilford Financial Corp.'s policies and procedures.

### **Code of Ethics**

Gilford Financial Corp. 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. Gilford Financial Corp. takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as Gilford Financial Corp.'s policies and procedures. Further, Gilford Financial Corp. 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 Gilford Financial Corp.'s Privacy Policy. As such, Gilford Financial Corp. 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, Gilford Financial Corp.'s Code of Ethics establishes Gilford Financial Corp.'s expectation for business conduct.

Gilford Financial Corp.'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, Gilford Financial Corp. requires an annual certification by all employees/Advisors regarding their understanding and compliance with the Code of Ethics. Gilford Financial Corp. 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 Securities Incorporated and must execute securities transactions through Gilford Securities Incorporated, unless Advisory Representatives obtain authorization to execute securities transactions through another broker/dealer.



Related persons of Gilford Financial Corp. (any advisory affiliate and any person that is under common control with Gilford Financial Corp.) may 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 Gilford Financial Corp. 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. Gilford Financial Corp. 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. Gilford Financial Corp. 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, Gilford Financial Corp. also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by Gilford Financial Corp. or any person associated with Gilford Financial Corp. Further, the Code of Ethics contains prohibitions against such transactions.

## **Item 12. Brokerage Practices**

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

Not Applicable

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

Not applicable

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

Gilford Financial Corp. does not engage in directed brokerage transactions for clients.

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

Gilford Financial Corp. 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). The supervisory personnel are as follows:

<b>OFFICE</b>	<b>TITLE</b>
Melville, New York	Stephen Kaplan, Scott Wyman
Westhampton Beach, NY	Stephen Curry
Irvine, CA	Tom Mindel
New York, NY	Harvey Silvester
Morristown, NJ	Harvey Silvester
Spokane, WA.	Tom Mindel

Ft. Lauderdale, FL	Harvey Silvester
St. Louis, MO.	Harvey Silvester
Philadelphia, PA	Harvey Silvester

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

Gilford Financial Corp. does not pay fees for client referrals. Gilford Financial Corp. has no arrangements where someone who is not a client provides an economic benefit to Gilford Financial Corp. for providing investment advice or advisory services to Gilford Financial Corp. clients.

## **Item 15. Custody**

Gilford Financial Corp. does not take custody of client assets or securities. However, account assets are custodied at First Clearing, LLC, a registered broker-dealer, Member FINRA and SIPC. First Clearing LLC, which clears all of Gilford Financial Corp.'s transactions, is an indirect majority owned subsidiary of Wells Fargo & Company. 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 certain of the programs, clients grant Gilford Financial Corp. authorization to manage a client's advisory account on a discretionary basis. Discretionary authorization provides Gilford Financial Corp. the ability to determine the securities to be purchased and sold and when such securities are purchased and sold. Clients will not be aware of the transactions until after they have occurred. Clients will grant such authority to Gilford Financial Corp. 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) Gilford Financial Corp. requires the use of Advisory Representative's broker/dealer (Gilford Securities Incorporated) for sales in commissionable mutual funds or variable annuities.
- 3) Gilford Financial Corp. will not have the ability to withdraw client's funds or securities from the account.

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

Clients are advised that Gilford Financial Corp. does not vote proxies on clients' behalf or take responsibility in any way to ensure clients' securities are voted. Clients retain the responsibility for voting their own proxies.

## **Item 18. Financial Information**

As noted above, Gilford Financial Corp. has full discretionary authority over the trading in clients' accounts for certain of the programs. Gilford Financial Corp. does not have custody of client funds or securities. Should Gilford Financial Corp. encounter a financial condition that would impair Gilford Financial Corp.'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 First Clearing, LLC is a qualified custodian that maintains custody of client assets. Second, Gilford Securities, Incorporated, wholly owns Gilford Financial Corp. and Gilford Securities, Incorporated maintains excess capital in sufficient amounts to assist with Gilford Financial Corp.'s ability to meet its commitments under contracts with clients.

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

Not Applicable