



GFS Advisors, LLC

Part 2A Form ADV

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March 2011

GFS Advisors, LLC is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of GFS Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (713) 968-0400 and/or jbates@globalhou.com. 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 GFS Advisors, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Because much of the information in this Part 2A of Form ADV is additional material information not previously provided in our Part II of Form ADV, we recommend that you read this Part 2A of Form ADV in its entirety.

Table of Contents

Advisory Business.....	1
Fees and Compensation	1
Performance-Based Fees and Side-By-Side Management	2
Types of Clients	3
Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Disciplinary Information.....	6
Other Financial Industry Activities and Affiliations	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	8
Brokerage Practices.....	9
Review of Accounts.....	11
Client Referrals and Other Compensation	11
Custody	12
Investment Discretion.....	12
Voting Client Securities	13
Financial Information.....	13

ADVISORY BUSINESS

Advisory Firm Description

GFS Advisors, LLC ("GFSA" or the "Firm") has been in business since May 2007. The principal owner is Sanders Morris Harris Group, Inc.

Types of Advisory Services

GFSA provides investment advice and portfolio management services on a continuous basis for separately managed accounts. Recommended investments include cash, stocks and bonds with selection of specific securities providing proper diversification in order to meet the client's stated investment objectives pursuant to an executed Investment Policy Statement.

Tailored Advisory Services

GFSA supervises and directs the investment of clients' accounts subject to such limitations as a client may impose in writing. For example, clients may instruct GFSA not to purchase certain investments or participate in a particular sector (e.g., "sin stocks"). Typically this process requires the client's participation in the development of the Investment Policy Statement, whereby the client informs GFSA of the client's investment objectives and portfolio limitations, including, without limitation, acceptable levels of investment risk, and to such end the client wishes to follow the investment advice of GFSA. The client must advise GFSA in writing of any changes in the client's investment objectives or the limitations on GFSA's discretion. Furthermore, the client must give GFSA prompt written notice if the client believes that any investment in their account violates the client's objectives or limitations.

Client Assets Under Management

At December 31, 2010, the Firm managed \$269.999 million on a discretionary basis.

FEES AND COMPENSATION

Management Fees

Compensation provided to GFSA for managed accounts is an Advisory Fee based upon a percent of assets under management. This fee is deducted from clients' accounts. The advisory fee is payable quarterly in arrears and is computed based upon the average market value of the assets under management for each account. The Advisory Fee is prorated for any partial period arising from the client's initial deposit.

The Advisory Fee schedule ranges from 0.15% to 1.00% per year. The specific fee schedule for each client is stated in their Investment Advisory Agreement. All Advisory Fees are negotiable and are determined by the complexity of the client's portfolio, investment requirements and level of service required.

To the extent mutual and money market funds are selected to fill components of the overall investment strategy, the annual Advisory Fee does not include the customary

fees and expenses associated with investing in mutual or money market funds or other costs of establishing and maintaining an account with mutual funds, including Rule 12b-1 fees and expenses. As such, these fees and expenses are in addition to the Advisory Fee.

Transaction and Other Costs

The Advisory Fee is exclusive of transaction costs and other direct out-of-pocket costs incurred by GFSA as a result of providing the investment services to the client. GFSA is also entitled to reimbursement from the client for all costs and expenses (including taxes) incurred by GFSA as a result of providing its investment advisory services to the client. Out-of-pocket costs incurred to execute such transactions will be charged to the client's account. GFSA will not receive a portion of any out-of-pocket costs.

GFSA clients also pay additional administrative fees to Global Financial Services, LLC for customary services such as wires, postage, etc.

Custodial Fees

GFSA requires the use of an outside custodian. Fees, costs and expenses of the custodian are included within the Advisory Fee, and the client bears no additional charge, so long as the custodian is J. P. Morgan Clearing Corporation ("JPMCC"). For any other custodian, such fees, costs and expenses are not included within the Advisory Fee and will be separately charged to and paid from the client's account.

Commissions

GFSA has an affiliate, Global Financial Services, LLC, which is a registered broker/dealer. GFSA may place trades for its clients through this affiliated broker/dealer, which may then collect commissions for those trades. Each client's Investment Advisory Agreement clearly delineates whether or not the client will pay commissions for trades executed through Global Financial Services, LLC.

Termination

The relationship may be terminated by either party immediately upon receipt of a 30-day written notice. Upon termination any uncollected fees and expenses will be deducted from the account.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

In addition to the Advisory Fee and all other costs or expenses to which GFSA is entitled, GFSA offers a performance-based fee structure to "qualified clients." Qualified clients are those that:

- Are deemed to be a "qualified client" pursuant to SEC Rule 205(3) of the Advisors Act of 1940 (for a natural person, it is generally defined as either having \$750,000 under management with GFSA or having a net worth of more than \$1,500,000 at the time the performance rider is executed).
- Elect to have the account managed by GFSA on a performance basis.

Performance fee terms, which may vary by client, are stated in the Investment Advisory Agreement and are effective as of the date of that agreement. The performance fee is equal to the product of all appreciation (i.e., from the first dollar, not just the portion in excess of the benchmark) multiplied by the applicable percentage per annum. The performance fee is payable as of the end of each performance period in arrears and is based on the market value of the aggregate assets under management in the accounts as valued by the custodian.

Charging clients a performance fee may place GFSA personnel in a conflict of interest with clients, as portfolio managers may consider higher risk investments or portfolio structures in order to optimize performance.

TYPES OF CLIENTS

GFSA provides investment advisory services to:

- Individuals
- High net worth individuals
- Trusts, estates or charitable organizations
- Corporations and other businesses

The general investment minimum required of our managed accounts is \$5,000,000. GFSA has the discretion to accept investments for lesser amounts.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

GFSA prefers to invest in companies which are experiencing growing revenues and earnings because of superior products and/or services, have good management and which reinvest sufficient cash flow to finance expansion. The timing of specific transactions may be influenced by GFSA's interpretation of existing prices relative to expectation.

GFSA uses a combination of the following types of analysis in evaluating investments for client accounts:

- Fundamental—Analysis of financial attributes of a company, such as revenue growth, debt-to-equity ratio, inventory turnover, etc.
- Technical—Analysis which assumes past performance is a predictor of future performance
- Charting—Analysis of charts of past stock performance
- Cyclical—Analysis of up and down market cycles

GFSA uses the following sources of information in its analysis:

- Financial newspapers and magazines
- Research materials prepared by others
- Corporate rating services
- Timing services

- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Company press releases

Investment Strategies

The investment strategies GFSA uses to implement investment advice include the following:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options or spreading strategies
- Alternative investments such as hedge funds, structured products, and private investments

Risk of Loss

GFSA does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Firm's overall management of the account. The client understands that investing in any security entails risk of loss and that investment decisions made for the client's account by the Firm are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. Investing in any security entails risk of loss which clients should be willing to bear.

More specifically, these risks include, but are not limited to:

- *Short Sales:* Managed accounts may affect short sales. Short selling is the practice of selling investments which are not owned by the seller, generally when the seller anticipates a decline in the price of the investments or for hedging purposes. To complete a short sale, the seller must borrow the investments from a third party in order to make delivery to the buyer. The seller generally will be required to pay a brokerage commission or interest which will increase the cost to the seller of selling such investments. Until the investments are replaced, the seller will be required to pay to the lender amounts equal to any dividends or interest which accrue during the period of the loan of the investments.

Under certain circumstances, including any U.S. or non-U.S. governmental or regulatory action which impacts short selling, a fund may be prematurely forced out of a short position. The lender of a security used to cover a short position generally has the right to demand the return of the stock that has been loaned at any time. In such event, an account would be required to replace the borrowed securities by borrowing the securities from another lender. If the account were unable to replace the borrowed securities it would be required to close out the short position by buying the security in the market to make

delivery. In such event, the account could incur a significant loss if the security sold short had increased in value.

- *Leverage:* Managed accounts may trade on margin, engage in other forms of borrowing to finance its operations and use other forms of financial leverage. A small change in the market price of a contract can produce major losses for the account. Fluctuations in the market value of the portfolio of a heavily leveraged account can have a disproportionately large effect in relation to the capital of that account. Any event which may adversely affect the value of positions held by the account could significantly affect the value of the account.
- *Put and Call Options on Specific Investments:* Managed accounts may purchase exchange-listed and over-the-counter ("OTC") put and call options on specific investments. In addition, the accounts may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by the account may be wholly or partially covered (meaning that the fund holds an offsetting position) or uncovered. Options on specific investments may be used by accounts to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes.

The use of put and call options may result in losses to the accounts, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the accounts can realize on its investments or cause the accounts to hold an investment they might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by an account to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by an account. The use of uncovered option writing techniques may entail greater risks of potential loss to an account than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in the account realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

- *Withdrawals and Performance:* Numerous hedge funds have experienced material levels of withdrawals and received significant withdrawal requests for upcoming withdrawal dates due to market conditions, fund performance, the need for liquidity by some investors and other reasons. In response, a number of hedge funds have had to impose liquidity restraints and, in certain cases, dissolve. There can be no assurance that the funds will not in the future experience withdrawal requests at a level that may have an adverse effect on their operations or ability to satisfy such requests.

DISCIPLINARY INFORMATION

Neither GFSA, nor any of its officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither GFSA, nor any of its officers or principals has been found (1) to have caused an investment-related business to lose its authorization to do business or (2) to have been involved in a violation of an investment-related statute or regulation and the subject of an order in connection with any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

On December 30, 2005, a DPR was filed against Global Financial Services, LLC, Robert C.A. Benjamin, Gerado A Chapa, and Ricardo Perusquia (the "Parties"). On that date, these Parties received a Letter of Acceptance, Waiver and Consent from the NASD whereby they accepted and consented, without admitting or denying the allegations, and solely for the purposes of that proceeding, to the entry of certain findings by NASD Regulation, Inc. These findings included the following:

- During the period of approximately October 1, 2002 through December 31, 2004, the Parties failed to timely report through the NASD TRACE system transaction information for numerous corporate bond transactions. Such acts, practices and conduct constituted separate and distinct violations of NASD Marketplace Rule 6230 and NASD Conduct Rule 2110.
- During the period of approximately October 2002 through December 2004, the Parties failed to establish, maintain and enforce a system to supervise, including written procedures, the activities of its registered persons reasonably designed to achieve compliance with NASD's TRACE reporting rule. Such acts, practices and conduct constituted separate and distinct violations of NASD Conduct Rules 3010 and 2110.

Based on these findings, the Parties consented to the imposition, at a maximum, of the following sanctions: a censure and monetary fine of \$100,000 against Global Financial Services, LLC. Of the total fine amount, \$50,000 was assessed jointly and separately against Robert C.A. Benjamin, Gerado A Chapa and Ricardo Perusquia. Moreover, Messrs. Benjamin, Chapa and Perusquia were each suspended, in any principal capacity, for a period of 30 calendar days.

All fines have been paid and suspensions served. Currently there are no outstanding disciplinary actions against any of the Parties.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither GFSA nor any of its officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

Business Activities & Affiliations

Global Financial Services, LLC

GFSA maintains a relationship with Global Financial Services, LLC, which is an affiliated broker-dealer registered with the U.S. Securities & Exchange Commission and is also a member of the Financial Industry Regulatory Authority (FINRA). As such, Global Financial Services, LLC may execute trades on behalf of GFSA. Broker-Dealer services comprise 100% of Global Financial Services, LLC's business.

Global Financial Services, LLC acts in the capacity of an "introducing broker" for GFSA and provides assistance with the clearance and settlement of securities transactions. In addition, Global Financial Services, LLC may effect securities transactions on behalf of GFSA for compensation in its capacity as a broker-dealer. Such transactions will be conducted on a fully disclosed basis and will be cleared through JPMCC (formerly Bear Stearns Securities Corporation), which is Global Financial Services, LLC's "clearing broker." Accounts shall be established with Global Financial Services, LLC for each individual GFSA client where applicable. In the capacity whereby Global Financial Services, LLC may act as an "executing broker," the execution price of the security and the commission will be disclosed to the advisory client via a trade confirmation.

GFSA shares office space and infrastructure overhead with Global Financial Services, LLC. The expenses associated with this operating environment are incurred by both parties on a non-soft dollar basis, as neither firm maintains any soft dollar relationships. Ownership of GFSA is identical to that of Global Financial Services, LLC. Officers of GFSA are and/or may be officers of Global Financial Services, LLC and vice versa. Registered Representatives of Global Financial Services, LLC are and/or may be Advisory Representatives of GFSA and vice versa. In the event GFSA places transactions with Global Financial Services, LLC, GFSA personnel may be placing themselves in a conflict of interest position with GFSA clients. As such, all GFSA clients are advised in the Investment Advisory Agreement that transactions may be introduced to Global Financial Services, LLC, and each agreement clearly defines whether that client pays trade commissions to Global Financial Services, LLC.

GFS Ltd.

GFS Ltd., an affiliated offshore entity, provides financial services to non-US entities. Mr. Perusquia acts as a Director and Secretary of GFS Ltd. and also provides investment advice to its clients. This relationship creates a potential conflict of interest with GFSA clients.

Investment Advisor and Broker-Dealer Affiliations

GFSA is affiliated with Sanders Morris Harris Inc., which is registered as an investment adviser and broker/dealer. GFSA does not transact business with or through this entity.

GFSA is affiliated with the following investment advisers through common ownership by Sanders Morris Harris Group, Inc.:

- Leonetti & Associates, LLC
- Pool Capital Partners

- Miller-Green Financial Services, Inc.
- SMH Capital Advisers, Inc.
- Edelman Financial Services, LLC
- The Rikoon Group, LLC
- Investor Financial Solutions
- SOF Management, LLC
- Silverbay Capital Management, LLC

GFSA does not transact business with or through any of these entities.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

GFSA has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as “employees”). Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request, at no cost, a copy of the Firm’s Code of Ethics by contacting Jane Bates at 713.968.0400.

The following basic principles guide all aspects of the Firm’s business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients’ interests come before employees’ personal interests and before the Firm’s interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm’s behalf and on their own behalf consistently with the Firm’s disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

GFSA has adopted specific policies and procedures designed to assist in the implementation of the guidelines outlined in the Code. This includes policies and procedures relating to:

- Personal securities trading
- Outside business activities

Personal Securities Trading

GFSA personnel may not trade in personal accounts in anticipation of trades to be placed for clients. GFSA personnel may trade in the same security simultaneously with clients (as long as the client obtains the same or a better price) or after that security was purchased or sold on behalf of GFSA clients. GFSA personnel must receive pre-approval from the Chief Compliance Officer before participating in an IPO or a Private Placement.

GFSA requires its personnel to provide transaction confirmations and monthly reporting of their transactions and holdings. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

Outside Business Activities

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

BROKERAGE PRACTICES

Brokerage Selection

When GFSA places orders for the execution of portfolio transactions for client accounts, GFSA may allocate such transactions to such broker-dealers for execution on such markets, at such prices and at such commission rates as to which GFSA believes will be in the best interests of the client. When doing so, GFSA takes many factors into consideration, including the following:

- Available prices and rates of brokerage commissions
- Execution capabilities
- Research and other services provided by such broker-dealers which are expected to enhance the general portfolio and management capabilities of GFSA
- Value of any ongoing relationship of GFSA with such broker-dealers), without having to demonstrate that such factors are of a direct benefit to the client

GFSA recognizes its responsibility as a fiduciary to attain best execution for its clients. As such GFSA will generally select such brokers that can effect transactions at the best price and execution under the prevailing circumstances. GFSA may also effect securities transactions for its clients through Global Financial Services, LLC (an affiliated entity) as broker for such parties. Global Financial Services, LLC acts as a fully disclosed introducing broker to JPMCC, which serves as clearing agent and custodian. Clearance and custodial charges imposed by JPMCC are paid by Global Financial Services, LLC and may then be charged back to clients as defined in each Investment Advisory Agreement.

In executing such transactions, it is Global Financial Services, LLC's policy to charge commissions that are:

- Reasonable and fair relative to those charged by other brokers for comparable transactions involving similar securities at that time.

- Not in excess of the rates Global Financial Services, LLC generally charges its brokerage clients.

Nonetheless, GFSA personnel may be putting themselves in a conflict of interest position when directing trades through Global Financial Services, LLC, to which clients may also be paying a commission. Principals of GFSA are and/or may be principals of Global Financial Services, LLC. Furthermore, Global Financial Services, LLC may purchase from or sell securities to GFSA and may collect compensation for effecting securities transactions on the behalf of GFSA. GFSA clients may or may not be paying compensation to Global Financial Services, LLC for its transaction role, depending upon the terms of each client's Investment Advisory Agreement.

Research and Other Soft-Dollar Benefits

GFSA currently has no formal soft-dollar arrangements, where specific products or services are paid for with soft dollars generated by individual trades GFSA places in client accounts. Soft dollars may be used for the benefit of all clients and are not necessarily used exclusively by the advisory account for which the transaction was made. The broker/dealer(s) and custodian(s) used by GFSA's clients may provide GFSA with, among other things, the following:

- Services that allow the firm to operate more efficiently, such as electronic availability of client account information and trade confirmations, and access to specialized customer service personnel.
- Access to certain custodians' proprietary account management and data transmission services to enable GFSA to trade clients' accounts electronically.
- Written and oral reports concerning current or prospective portfolio holdings, economic interpretations and portfolio strategy.

GFSA enjoys increased administrative ease and, hence, profitability when provided with these services. Because of the volume of assets that GFSA clients may direct to these firms, they may make certain products and services available to GFSA at reduced or waived fees.

Brokerage for Client Referrals

Global Financial Services, LLC personnel may refer clients to GFSA. As discussed above, trades for any GFSA client are often placed through Global Financial Services, LLC, so referring brokers are likely to receive increased compensation as a result of these referrals. There are no direct payments by GFSA to referring Global Financial Services, LLC brokers. GFSA does not receive referrals from other broker/dealers or third parties providing service the firm.

Directed Brokerage

Unless the client instructs GFSA otherwise, GFSA may place orders for the execution of transactions with or through Global Financial Services, LLC, other broker-dealers or banks as GFSA may select.

GFSA may also compensate brokerage firms that supply computer-generated data of a proprietary nature or that of a third party by directing trades to those brokerage firms. Such information is available to assist in the management of all of GFSA clients whether or not all commissions are available for use in this matter.

Prospective clients are advised that lower fees for comparable services may be available from other sources.

Order Aggregation

When appropriate, GFSA may aggregate trades in the same securities across accounts. When such trades are effected, each account pays the same amount for each share. Partially executed aggregated orders will be filled on a pro rata basis. GFSA personnel may participate in blocks with clients, but will not receive allocations until all client orders are filled.

REVIEW OF ACCOUNTS

Client accounts managed by GFSA are monitored on a daily systematic random basis, with each account reviewed at least monthly by a principal of GFSA. Some accounts may be reviewed on a daily basis. GFSA reviews each account's performance on a quarterly basis and compares each account's investments on a transaction basis to ensure that each transaction is suitable to the respective client's investment objectives and meets that client's quality standards. GFSA also checks to make sure that the client's investment objective is still suited to the advisory account arrangement.

The nature and frequency of reports to clients are determined primarily by the particular need of each client. Generally, clients are issued quarterly written reports by GFSA detailing their individual assets (Portfolio Appraisal), unless the client requests a more frequent basis, and a detailed summary reflecting the quarterly management fee assessed. The client also receives monthly account statements directly from GFSA's custody agent (JPMCC) detailing all activity in the client's account.

CLIENT REFERRALS AND OTHER COMPENSATION

Certain mutual funds in which client accounts may be invested may pay marketing fees, service fees, including shareholder service fees, 12b-1 fees, or bonus commissions to Global Financial Services, LLC, GFSA's affiliated broker-dealer, for marketing assistance or the performance of certain administrative tasks associated with making an investment in such fund. Any such fees received by Global Financial Services, LLC and/or its personnel may be credited against the management fee payable by the client to GFSA, when and if applicable. This potential receipt of additional fees may put GFSA personnel in a conflict of interest with GFSA clients.

These, where present, may also adversely affect the total return of the client's account. GFSA's investment selection philosophy takes many factors into consideration, including keeping fund management costs to its clients to a minimum and attaining optimal risk sensitive portfolio performance. GFSA may consider investing in funds with higher than average fees when the portfolio manager believes that other benefits outweigh the additional costs to clients. Global Financial Services, LLC receives rebates from JPMCC

for trades which it clears and custodies on behalf of GFSA. This creates a potential conflict of interest for GFSA with its clients, as not all custodians pay such rebates.

CUSTODY

Global Financial Services, LLC maintains a fully disclosed clearing relationship with JPMCC. JPMCC holds all customer funds and/or securities on behalf of Global Financial Services, LLC and GFSA, respectively, and for the purposes of the Securities Investor Protection Act.

Because GFSA generally has the authority to instruct the account custodian to deduct the investment management fee directly from the client's account, GFSA is considered to have "custody" of client assets. Custody is defined as having any access to client funds or securities. This limited access is monitored by the client through receipt of account statements directly from the custodian. These statements show the deduction of the management fee from the account. Otherwise, GFSA may only direct the movement of funds from one account in the client's name to another such titled account, but has no other access to funds.

When clients receive their statements from the account custodian, clients should carefully review those statements and take the time to compare them with those they receive from GFSA. If the client finds significant discrepancies, the custodian and GFSA should be notified.

INVESTMENT DISCRETION

Generally, clients grant GFSA authority and discretion to determine asset allocation and specific securities to be purchased and sold in the client's portfolio without first obtaining permission to do so. This limited power of attorney authority is granted in the investment advisory agreement with GFSA. The Investment Policy Statement provides a means by which clients can restrict or exclude investments in certain sectors or companies.

Individual securities are selected to provide diversification among economic sectors and industries which are chosen to achieve the desired balance between expected risk and expected return. Transactions of an unusual nature are discussed with clients before execution. When appropriate, GFSA may deviate from the clients' Investment Policy Statement during extreme market conditions.

In these cases where clients have designated GFSA as agent and limited attorney-in-fact with respect to the client's account, when it deems appropriate, without prior consultation with the client, GFSA may:

- Direct the purchase, sale, exchange, conversion, and otherwise trade in stocks, bonds, and other securities including money market instruments.
- Direct the amount of securities purchased, sold, exchanged, and otherwise traded.
- Place orders for the execution of such securities transactions with Global Financial Services, LLC or other third party broker-dealers.

- Determine the commission rates paid.

VOTING CLIENT SECURITIES

GFSA generally will not vote proxies on behalf of its clients, unless specifically required in the investment advisory agreement. When required to vote, GFSA will generally vote in support of management's recommendations with exceptions being for excessive executive compensation, stock option programs or other programs which may benefit executive staff at the expense of shareholders. GFSA maintains records of (i) all proxy statements and materials it receives on behalf of clients; (ii) all proxy votes that are made on behalf of the clients; (iii) all documents that were material to a proxy vote; (iv) all written requests from clients regarding voting history; and (v) all responses (written and oral) to clients' requests. These records are available to the clients upon request by contacting Jane Bates at 713.968.0400.

FINANCIAL INFORMATION

GFSA is not required to provide its financial statements. There is currently no financial condition that is reasonably likely to impair GFSA's ability to meet its contractual commitments to its clients.