

## **GFS Advisors, LLC**

**A member of the Edelman Financial Group**

### **Global Managed Asset Program (“GMAP”) Wrap Fee Program Brochure**

March 2013

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This wrap fee program brochure provides information about the qualifications and business practices of GFS Advisors, LLC (“GFSA”). If you have any questions about the contents of this brochure, please contact the Compliance Department at the above telephone number. 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.

GFS Advisors, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

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

## **Material Changes**

Since our last annual update in March 2012, this document has been amended as follows:

- On September 19, 2012, GFS Advisors, LLC parent company, The Edelman Financial Group Inc. (“TEFG”), became a privately held company after consummating a merger with an affiliate of Lee Equity Partners, LLC, a New York private equity firm.
- On November 1, 2012, Silverbay Capital Management, LLC and SOF Management, LLC were removed from GFS Advisors, LLC related persons.
- References to “average quarterly balance” in the section of this document titled “Advisory Fee” have been replaced with “average daily balance”.

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## **Services, Fees and Compensation**

### **Services**

The Global Managed Asset Program (“GMAP”) is a dual-platform wrap fee advisory and asset allocation program sponsored by GFS Advisors LLC (“GFSA”). The client retains GFSA and an Investment Adviser Representative (“Representative”) for the purpose of opening an investment advisory account (“Account”) and participating in GMAP. The client can choose one or both platforms available in GMAP. Under the Select platform GFSA will invest participating client assets in one or more diversified asset allocation models consisting of both U.S. and Offshore open-end investment companies (commonly referred to as mutual funds) and closed-end investment companies (commonly referred to as exchange-traded funds or ETFs). Under the Plus platform advice and services are provided by the GFSA Representative. An all inclusive asset-based advisory fee (“Advisory Fee”) will be charged to clients based on the total aggregate assets in the GMAP program.

The Representative considers the client’s financial situation, goals and investment objectives, risk tolerance, time horizon and other relevant factors, as described by the client in selecting the client’s asset allocation. The client should inform Representative if changes occur in investment objectives or financial situation, or if the client wishes to impose reasonable restrictions on the account(s) which are not fundamentally inconsistent with the client’s investment objective or the nature or operation of GMAP. GFSA will notify the client quarterly, as a reminder, to contact GFSA regarding any changes in the client’s financial situation or investment objectives. In addition, Representative will contact the client at least annually to determine whether any such changes have occurred.

### **GMAP Select**

The Select platform (“Select”) is a wrap fee arrangement in which the GFSA Investment Committee selects and develops model portfolios containing open-end mutual funds and ETFs in a broad range of asset classes including domestic and foreign stocks, global bonds, and alternative investments. Alternative investments may include mutual funds or ETFs invested in real estate investment trusts, arbitrage strategies, managed futures, commodities, initial public offerings, long/short strategies and other non-traditional investments. Portfolios will be available to investors in many different asset allocation models varying in degree of risk. Through the completion of the Investor Questionnaire the client’s Representative assists the client in selecting the portfolio allocation that best meets the client’s investment objectives, financial situation and risk tolerance.

Transactions will generally be executed through GFSA’s affiliated broker/dealer, Global Financial Services and cleared through JP Morgan Clearing Corporation.

### **GMAP Plus**

The Plus platform (“Plus”) is an advisory wrap fee account in which the Representative manages and invests the assets in the account on a discretionary basis. The services of the Representative within Plus include, but are not limited to, formulation of investment objectives, creation of tailored asset allocations using the Investor Questionnaire, portfolio reviews, and various administrative services. Based on the investment objectives selected, the client along with his or her representative may choose from equity, balanced and fixed income style investing. GMAP Plus will allow the Representative to invest in individual securities, mainly stocks and bonds, an endeavor to compliment the GMAP Select portfolios of mutual funds and ETFs. Mutual Funds and ETFs used in the GMAP Select platform will not be simultaneously available within the GMAP Plus platform and vice versa.

Transactions will generally be executed through GFSA's affiliated broker/dealer, Global Financial Services and cleared through JP Morgan Clearing Corporation.

## Fees and Compensation

### Advisory Fee

The Advisory Fee includes discretionary management and periodic review of all investments in the GMAP program. The fee also covers administrative services, transaction costs and clearance and custody of assets. In addition, the Advisory Fee covers consultation with a Representative who receives compensation as a result of the client's participation in GMAP. The advisory fee does not cover certain service fees such as postage and handling or wire transfer fees. See the paragraph titled "Other Fees and Expenses" for additional costs.

The Advisory Fee is based on the average daily balance of the assets in the Account, calculated on the last day of each calendar quarter. The Advisory Fee is payable quarterly, in arrears. The quarterly Advisory fee is an amount in dollars equal to the product of (1/4) of the applicable percentage per annum (based on the below schedule) multiplied by the average daily balance of the assets in the account. The first payment is prorated for assets that are placed in the Account during a calendar quarter. Fees are payable to GFSA no later than the fifteenth (15th) day after the end of each quarter, in arrears.

The fee schedule below shows the annual percentages:

<b>Asset Value of Account</b>	<b>Equity Only</b>	<b>Fixed Income Only</b>	<b>Equity &amp; Fixed Income</b>
Less than \$1 million	1.25 %	.50%	1.00 %
\$1 million - \$2.5 million	0.80 %	.40%	0.60 %
\$2.5 million - \$5 million	0.70 %	.30%	0.50 %
\$5 million - \$25 million	0.60 %	.20%	0.40 %
Greater than - \$25 million	Negotiable	Negotiable	Negotiable

When calculating the Advisory Fee, multiple advisory accounts held within the same family are aggregated to determine the lowest percentage fee if all accounts are managed as one relationship. . In the event that the client withdraws all of the Assets in the accounts during the course of any calendar quarter the advisory fee will be calculated for the partial quarter and will be debited from the account prior to distribution of the assets.

The Advisory Fee is based on the amount of money the client invests in the program and is not dependent on the amount of trading in the account or the advice given in any particular time period. The client should be aware that lower fees for comparable services may be available from other sources.

A portion of the Advisory Fee is paid to your Representative. The Advisory Fee earned may be more or less than what GFSA or its Representatives might earn from other programs available in the financial services industry or if the services were purchased separately. Therefore, GFSA and its Representatives may have a financial incentive to recommend the GMAP program over other programs or services.

GFSA has entered into an agreement with Edelman Financial Services LLC (“EFS”), an affiliated investment adviser, to provide certain administrative services in connection with the Select platform. EFS will share in the Advisory Fee as compensation for such services.

## Performance Fee

In addition to the Advisory Fee and all other costs or expenses to which GFSA is entitled, GFSA charges 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 having \$1 million under management with GFSA and having a net worth of more than \$2,000,000 at the time the performance rider is executed).

Performance fee terms are stated in the Client Services Agreement and are effective as of the date of that agreement. 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. The Performance Fee is an amount in dollars equal to the product of the applicable percentage per annum (based on Performance Fee in Schedule A) multiplied by the beginning market value of the portfolio adjusted for the net of all contributions and withdrawals (the “cash flows”). All cash flows are weighted from the actual date of contribution or withdrawal in the month they occurred.

Clients that do not meet the “qualified client” criteria will not be charged a performance fee and may not elect to have their account managed on a performance fee basis.

The following is the performance fee schedule:

<b>Aggregate Performance</b>	<b>Equity Only</b>	<b>Equity &amp; Fixed Income</b>
5.0 – 7.499 %	0.00 %	0.30 %
7.5 – 9.999 %	0.30 %	0.40 %
10.0 – 12.499 %	0.40 %	0.50 %
12.5 – 14.999 %	0.60 %	0.70 %
15.0 – 17.499 %	0.80 %	0.90 %
Greater than 17.5%	1.00 %	1.20 %

In computing the market value of any security held in the Account that is listed on a national securities exchange (whether of the United States or otherwise), such security shall be valued at the last quoted sale proceeds on the valuation date of the principal exchange on which such security is traded. Any other security or asset for which there is no readily available price quotation shall be valued in a manner determined in good faith by GFSA which reflects the security's fair market value.

The performance period applicable to the above schedule is the date on which the client first contributes assets to the accounts, through the end of that calendar year. The performance based fee will then be deducted annually each year thereafter in the month following the end of the calendar year. In the event that the client withdraws all of the Assets in the accounts during the course of a calendar year the performance based fee will be calculated for the partial calendar year and will be debited from the account prior to distribution of the assets.

## **Payment Method**

The client authorizes GFSA to collect the Advisory as well as any applicable Performance Fee and authorizes the Custodian to deduct these Fees from the account under the Client Services Agreement. All fees will be noted on the client's custodial account statements. Clients charged a Performance Fee will also receive a document disclosing the Performance Fee charged and detailing how the fee was calculated. If the Account does not hold cash or money market balances sufficient to cover the Fees, the client may deposit additional funds by the due date. If no such deposit is made, GFSA will liquidate securities in the Account in amounts sufficient to cover such fees. Liquidation may cause the client to incur taxes and other costs.

## **Changes to Fees**

GFSA may change the fee schedule at any time by giving 30 days prior written notice to the client. Following the 30-day notice period, the new fee schedule will become effective unless the client terminates the Client Services Agreement. The client's continued acceptance of the services will constitute consent to changes in the Advisory Fee, including an increase in the amount charged.

## **Other Fees and Expenses**

Each mutual fund or ETF in which the client may invest in the Account also bears its own fees and expenses, including but not limited to short-term redemption fees, and expenses as disclosed in the applicable prospectus or product description. Clients may incur other fees, such as SEC Fees and individual retirement account (IRA) custodial fees. Certain mutual funds may be subject to deferred sales charges. The Representative will not purchase such funds in the Account. Should the Client choose to transfer such funds into the Account, the Client may incur deferred sales charges upon the redemption of the shares. Certain mutual funds in which Client may invest make payments to broker-dealers pursuant to a 12b-1 distribution plan or pursuant to another arrangement as compensation for distribution or administrative services and may be paid out of the fund's assets. For all Accounts under the GMAP program, all mutual funds purchases, exchanges, and redemptions will be made at a fund's net asset value (NAV) share price (meaning ex-load). GFSA's general practice is to retain 12b-1 fees and these fees are shared with the GFSA Representative. However, upon the Representative's request, mutual fund 12b-1 fees may be credited back to client Accounts.

The Advisory Fee does not cover fees or expenses charged by any mutual fund or ETF held in the Account. In addition, the Advisory Fee does not include debit balances, wire transfer fees, overnight check fees, margin interest, account transfer fees, IRA and retirement plan fees, SEC fees, 12b-1 fees for certain money market funds, expenses charged by the mutual funds and ETFs, administrative service fees, or other fees or taxes required by law.

Another possible fee arrangement may be a fixed-rate fee negotiated for consulting services.

## **Account Requirements and Types of Clients**

### **Account Requirements**

The client may make additions to or withdrawals from the account at any time. Withdrawals which cause material reductions in the value of the account could cause GFSA to terminate the account. GMAP is designed as a long-term investment vehicle and asset withdrawals may impair the ability to achieve client's investment objectives.

GFSA has entered into an agreement with J.P. Morgan Corporation (as cleared through JP Morgan Clearing, Corp.), a division of JPMorgan Chase & Co. ("JP Morgan" or "the Custodian"), an unaffiliated broker/dealer, to provide the following services: (a) maintain custody of Account assets; (b) execute and perform clearance of all

purchase and sale orders as directed by GFSA; (c) perform all custodial functions customarily performed with respect to the Account, including but not limited to the crediting of interest and dividends on account assets; (d) forward to client and to GFSA purchase and sale confirmations and account statements; (e) act as general administrator of the GMAP account(s); (f) charge and collect advisory fees on GFSA's behalf; and (g) accept, pursuant to GFSA's instructions, deposits to and withdrawals from the Account. The client must agree to the opening of an account with J.P. Morgan as a condition to participate in GMAP.

Client will pay no commissions for brokerage services conducted in the course of GFSA providing services within the GMAP program. Additionally, GFSA will not enter into any principal transactions in GMAP accounts. Client acknowledges that the Custodian does not assist client in selecting GFSA or any investment or in determining the suitability of investments.

The Custodian will send a monthly statement to client detailing all account activity, including deduction of the Advisory Fee as well as any applicable Performance Fee. Client may elect to receive custodial account statements and confirmations electronically in lieu of paper confirmations and statements.

## **Types of Clients**

GMAP programs are offered to individuals, high net worth individuals, trusts, corporations, and other businesses.

## **Platform Selection and Evaluation**

The client has the option of selecting either or both of the platforms available under GMAP. As discussed previously, the GFSA Investment Committee manages portfolios under the Select platform and does not select or utilize the services of any third-party portfolio manager. In the Plus platform, the Representative manages and invests the assets in the account on a discretionary basis. The Representative will have trading authorization with respect to the account. Neither GFSA nor its Representative will have authority to withdraw the assets in the Account or to transfer them to a third party. As such, the Representative in his or her sole discretion and at the client's risk, can purchase, sell, exchange, convert, and otherwise trade the securities and other permitted investments in the account. Based on the investment objectives selected, the client may choose from equity, balanced, and fixed income style investing. For those clients that choose to invest in both the Select and Plus platforms the Representative will ensure that the overall allocation is in line with the clients investment objective and risk tolerance. Within the GMAP Plus platform the Representative will invest in individual securities, mainly stocks and bonds, and endeavor to compliment the GMAP Select portfolios of Mutual Funds and ETFs. Mutual Funds and ETFs used in the GMAP Select platform will not be simultaneously available within the GMAP Plus platform and vice versa.

## **Performance Calculation**

GFSA will prepare investment performance information relating to GMAP. Using GFSA internal portfolio accounting software, investment performance figures are calculated according to globally accepted industry standards. GFSA will provide clients with a document disclosing the performance fee charged and detailed how the fee was calculated. GMAP performance information is not verified by any independent third party.

Performance calculations are based on actual GMAP accounts under management, including those accounts that have been closed. Investment performance is presented net of actual management fees.



## **Investment Strategies**

### **GMAP Select**

Strategies are implemented using ETFs and mutual funds in a broad range of asset classes including domestic stocks, international stocks, global bonds, and alternative investments. Strategies range from conservative to aggressive and will be determined based on an analysis of the client's overall financial situation, investment objective and risk tolerance. Investments are made in one or more diversified asset allocation models consisting of U.S. and Non U.S. ("offshore") mutual funds along with U.S. and Non U.S. exchange traded funds or ETFs.

### **GMAP Plus**

GFSA and its Representatives use a wide variety of methods, including charting, fundamental analysis, and technical analysis to determine investment strategies for clients. The primary sources of information used to conduct these types of analysis are financial newspapers and magazines, inspections, research prepared by others, ratings services, press releases, and annual reports, prospectuses and other filings with the SEC. The implementation of these strategies varies based upon the individual client.

Each client's account is managed on the basis of the client's financial situation, investment objectives and instructions. The Representative works with the client to obtain sufficient information from the client to provide individualized investment advice and is reasonably available to consult with the client on an ongoing basis. Clients are permitted to impose reasonable restrictions on the management of the account.

A monthly custodial statement, containing a description of all account activity is provided to the client. The Representative reviews the overall performance of each account on a periodic basis and will meet with the client no less than annually to review the asset allocation and portfolio performance. In order to ensure that transactions are suitable based on the client's investment objectives, meet quality expectations of the client and comply with any investment restrictions requested by the client the representative will review the account no less than quarterly.

Investing in any type of security involves risk of loss that clients should be prepared to bear. GFSA does not guarantee the performance of an account or any specific level of performance. Market values of the securities in the account will fluctuate with market conditions. When the account is liquidated, it may be worth more or less than the amount invested.

## **Methods of Analysis and Investment Selection**

Pursuant to the Client Services Agreement that the client executes, GFSA is granted limited discretionary authority to implement investment strategies. Investments are selected based on past performance (as applicable), manager tenure, portfolio turnover, fees, and a variety of academic statistics including beta, standard deviation, R-Squared, and Sharpe Ratio. These statistics are provided by third-party vendors and the investment sponsors, and in the Select platform are evaluated by the GFSA Investment Committee on both an absolute and relative basis, relying on standards set by GFSA. The same is true for the Plus platform with the exception that investments and investment sponsors are evaluated by the Representative on both an absolute and relative basis, relying on standards set by GFSA.

GFSA may obtain and utilize information and data from a wide variety of public and private sources. Neither GFSA nor Representative will independently verify or guarantee such information and data. In categorizing the

asset classes of investments, GFSA will rely on prospectuses and information obtained from the issuer, its agents or through publicly available sources. Neither GFSA nor Representative shall be liable for any misstatement or omission contained in the information from these sources, or any loss, liability, claim, damage or expense, incurred, arising out of, or attributable to such misstatement or omission.

The client acknowledges that transactions for different Account(s) or for other clients' accounts may not be made at the same time, may be made on different days, and may be made over multiple days. In handling purchases and liquidations, GFSA will execute transactions without regard to pending dividend or capital gains distributions, stock splits, mergers or other corporate or financial events.

The client may impose reasonable restrictions on the management of the account. When imposing restrictions, the client may request that particular securities or types of securities not be purchased, or that such securities are to be sold if held in the account. However, the client cannot request that particular securities be purchased for the account. Moreover, the client should note that it is impossible for GFSA to influence or change the mix of securities held by any mutual fund or ETF included in the client's Account. GFSA reserves the right, in its sole discretion, to reject any account should the client request unreasonable or overly restrictive conditions.

## **Trading Authorization and Reallocation**

### **GMAP Select**

Once a model portfolio has been selected, GFSA has limited discretionary authority to invest the assets in the account and to reallocate assets in the account. When reallocating, GFSA changes the target percentages of some or all of the asset classes or types relative to the total account. The Account is monitored on an ongoing basis and assets are reallocated based on market or other conditions, as warranted. Changes in the asset allocation model, which include adding, removing, or replacing securities at the discretion of GFSA, are made based on significant changes in the economic, financial, or political climate; changes in the tax code; the management of the securities used by the asset allocation model; and/or the client's personal circumstances. The GFSA Investment Committee may replace a particular security if it significantly diverges from its relevant index in terms of risk or return with a security that is more in line with the risk/return profile of the relevant index. Reallocations occur with less frequency than rebalancing and when GFSA reallocates accounts, it generally does so in anticipation of the impact that expected long-term market volatility could have on specific asset classes or types. Clients are notified of reallocations after the transactions are effected.

### **Rebalancing**

Each client's account is invested in accordance with the client's asset allocation strategy. At the inception of an account in the Select platform, assets are invested in specific asset types including mutual funds and/or ETFs. Amounts invested in each asset type are determined in accordance with set target percentages of total assets in the Account. Thereafter, as markets fluctuate and values change, amounts originally allocated to an asset type will either exceed or fall below the original target allocations. GFSA periodically adjusts account holdings back to the original asset targets, or "rebalances" the Account. However, GFSA does not rebalance accounts constantly and asset allocations may drift away from their original target percentages before GFSA, within its authority and judgment brings those allocations back in line to the original percentages. In a sense, when GFSA rebalances an Account, it sells holdings that are appreciating in value to buy other holdings that may be declining in value. However, the investment philosophy of an asset allocation strategy is to be positioned in various asset types so that when the asset type becomes profitable, the Account is positioned to take advantage of the upturn.

## **GMAP Plus**

The Representative has limited discretionary authority to invest the assets in the account and to reallocate assets in the account. The reallocation of assets will occur when the Representative deems it necessary to ensure that the clients overall portfolio remains in line with the clients stated investment objectives, risk tolerance and financial situation. The Representative will manage the assets and measure the performance on a total return basis. The Representative will review the account periodically and not less than quarterly to ensure that the portfolio remains in line with the client's objectives. The Representative will meet with the client annually to review the asset allocation and evaluate the investment returns.

## **Risk of Loss**

GFSA does not guarantee the performance of any account or guarantee any specific level of performance. Market values of the securities in the accounts will fluctuate with market conditions. When an account is liquidated, it may be worth more or less than the amount invested.

GMAP portfolios incorporate allocations to alternative investments, including mutual funds or ETFs invested in real estate investment trusts, arbitrage strategies, managed futures, commodities, initial public offerings, long/short strategies, and other non-traditional investments. Investment strategies also include allocation to international/global investments.

Investment in a portfolio that includes alternative investments presents additional risks which the client should consider when making an investment decision. These risks may include adverse market conditions risk, counterparty risk, currency exchange risk, derivatives risk, emerging markets risk, high portfolio turnover, IPO risk, leverage risk, liquidity risk and other risks depending on the investment. Alternative investments are frequently asset classes that are referred to as non-correlated (investments that move contrary to, or without influence from, broader markets). While including non-correlated assets may result in less volatility, there are no assurances that non-correlated assets will not decline in value.

International investments are subject to risks not associated with domestic investing. In addition to the risks generally associated with domestic investments, international investing is subject to currency, political, economic and social risks.

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

GFSA charges a performance-based fee (fees based on a share of capital gains or on capital appreciation of the assets of a client) for qualified clients as defined previously in the Performance Fee section of this document. Charging clients a performance fee may place GFSA Representatives in a conflict of interest with clients, as they may consider higher risk allocation models available in GMAP in order to optimize performance.

GFSA Representatives may manage both accounts for qualified clients that are subject to a performance based fee as well as accounts for clients that are not qualified. This may present a conflict of interest for GFSA Representatives by giving them an incentive to favor accounts subject to performance based fees over accounts that are not subject to a performance based fee. GFSA mitigates these conflicts by utilizing GMAP Select's rebalancing process and ensuring that each portfolio is managed and rebalanced the same across all clients regardless of whether an account is subject to a performance based fee.

GFSA does not engage in side-by-side management.

## **Voting Client Securities**

GFSA has no obligation or authority to take action or render advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in GMAP Accounts. Client expressly retains the authority and the responsibility for the voting of proxies.

## **Client Information Provided to GFSA or GFSA Representatives**

The Representative will obtain information prior to opening an account regarding the client's financial situation, goals and investment objectives, risk tolerance, time horizon and other relevant factors, as described by the client in selecting the client's asset allocation model. The Representative will also inquire as to the client's interest in imposing any reasonable restrictions on the management of the Account.

The Representative will contact the client at least annually to determine if any changes have occurred that may affect the ongoing suitability of the portfolio selected and to determine if any new restrictions should be imposed on the Account.

## **Client Contact with GFSA Investment Committee**

Clients are generally free to contact GFSA and their Representative at any time during normal business hours via telephone, facsimile, mail or email. In-person meetings should be scheduled in advance to ensure that the Representative is available. A client can arrange a dialogue with an appropriately registered and authorized member of the Investment Committee if necessary by contacting the client's Representative to discuss the proposed agenda items and to arrange for a mutually agreeable date and time.

## **Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the client's evaluation of GFSA or the integrity of GFSA's management.

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.

GFSA is affiliated with Global Financial Services, LLC ("GFS") a broker/dealer. In connection with its broker/dealer business, GFS has been the subject of a regulatory action which GFSA has determined to be immaterial and is summarized below:

On December 30, 2005, a DRP was filed against Global Financial Services, LLC, Robert C.A. Benjamin, Gerardo A Chapa, and Ricardo Perusquia (the “Parties”). On that date, these Parties entered into a Letter of Acceptance, Waiver and Consent with the Financial Industry Regulatory Authority (“FINRA”) pursuant to which 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 FINRA included that:

- (a) During the period of approximately October 1, 2002 through December 31, 2004, the Parties failed to timely report through the FINRA Trade Reporting and Compliance Engine (“TRACE”) system transaction information for certain corporate bond transactions which conduct constituted violations of NASD Marketplace Rule 6230 and NASD Conduct Rule 2110 and;
- 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 which conduct constituted 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 which \$50,000 was assessed jointly and separately against Mr. Benjamin, Mr. Chapa and Mr. 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 and Exchange Commission and is also a member of the Financial Industry Regulatory Authority (FINRA). As such, Global Financial Services may execute trades on behalf of GFSA. Broker-Dealer services comprise 100% of Global Financial Services business.

Global Financial Services 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 may effect securities transactions on behalf of GFSA in its capacity as a broker-dealer. Such transactions will be conducted on a fully disclosed basis and are cleared through J P Morgan Clearing Corp. (“JPMCC” formerly Bear Stearns Securities Corporation), which is Global Financial Services “clearing broker.” Accounts are established with Global Financial Services for each individual GFSA client where applicable.

GFSA shares office space and infrastructure overhead with Global Financial Services. 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. Officers of GFSA are and/or may be officers of Global Financial Services and vice versa. Registered Representatives of Global Financial Services are and/or may be Advisory Representatives of GFSA and vice versa. In the event

GFSA places transactions with Global Financial Services, GFSA personnel may be placing themselves in a conflict of interest position with GFSA clients. As such, all GFSA clients are advised in the Client Agreement that transactions may be introduced to Global Financial Services and each agreement clearly defines whether that client pays trade commissions to Global Financial Services.

### **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 The Edelman Financial Group:

- Leonetti & Associates, LLC
- Miller-Green Financial Services, Inc.
- SMH Capital Advisors, Inc.
- Edelman Financial Services, LLC
- The Rikoon Group, LLC
- Investor Financial Solutions LLC

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

As part of The Edelman Financial Group's (formerly Sanders Morris Harris Group, Inc) purchase of Global, the principal owners of Global have the ability to earn additional compensation based on the level of Net Income achieved by the combined broker/dealer and investment adviser entities. This may create an incentive for GFSA to enact trades and generate additional transaction fees or markups on broker/dealer client trades. GFSA clients are not charged commissions or mark ups.

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

GFSA has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at GFSA must acknowledge the terms of the Code of Ethics annually, or as amended.

GFSA's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Keith Roberts, Chief Compliance Officer.

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 anticipates that, in appropriate circumstances, consistent with clients' investment objectives, GFSA may effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which GFSA, its affiliates and/or clients, directly or indirectly, have a position of interest. GFSA's employees and persons associated with GFSA are required to follow GFSA's Code of Ethics. In compliance with the Code of Ethics and applicable laws, officers, directors and employees of GFSA and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for GFSA's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of GFSA will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of certain transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored to reasonably prevent conflicts of interest between GFSA and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis to obtain best execution and avoid price differential. In such circumstances, the affiliated and client account transactions will be executed on an average price basis.

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 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.

GFSA prohibits principal transactions in advisory client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

Representatives may buy or sell for themselves securities that they also recommend to clients. Securities purchased and sold for the account of a Representative or related person are purchased and sold on the same basis for a client according to the client's stated goals and investment objectives. In all instances, the positions would be so small as to have no impact on the pricing or performance of the security.

Representatives may hold positions in securities held or recommended to clients but may not front run or otherwise benefit from these positions. Internal procedures have been instituted to ensure that the client will be treated fairly in execution of all trades.

To avoid conflicts of interest, GFSA directors, officers or employees are prohibited from buying or selling securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of their employment, unless the information is also available to the investing public on reasonable inquiry. No associated person of GFSA shall place his or her own interests over those of the advisory client. Further, all Representatives must comply with all applicable federal and state regulations governing registered investment advisory practices.

### **Review of Accounts**

GMAP Accounts are monitored on an ongoing basis and accounts are rebalanced based on market or other conditions as warranted. Securities for Accounts are bought or sold by GFSA or a GFSA Representative subject to its limited discretionary authority. Changes in the asset allocation model, which include adding, removing or replacing securities at the recommendation of the Representative, are made infrequently based on significant changes in the economic or political climate; the management of the securities used by the asset allocation model; and/or any restrictions the client may place on the investments in the Account.

On at least an annual basis the Representative will contact the client to update financial and personal information and to determine if there have been any changes in the client's investment objectives or personal circumstances that could impact the ongoing suitability of the Account. Reviews may also be conducted at the request of the client.

### **Nature and Frequency of Client Reports**

Clients participating in GMAP receive monthly account statements and confirmations (unless otherwise requested to be suppressed by the client) from the clearing broker-dealer, and generally have unlimited and continuous access to their account information through websites offered and maintained by the Account custodian.



## **Client Referrals and Other Compensation**

From time to time, GFSA may enter into solicitation agreements with individuals or entities whereby investment advisory accounts or private fund investors are solicited by GFSA and referred to another state or SEC-registered investment adviser. In these situations, GFSA may be compensated for the referral activity.

Similarly, GFSA may enter into solicitation agreements where investors are solicited by another individual or entity and referred to GFSA. In these situations, the individual or entity may be compensated by GFSA for the referral activity.

Solicitation agreements require that the solicitor perform his duties in accordance with the Investment Advisers Act of 1940 and appropriate state regulations and that the solicitor provides each prospective client with Part 2 of Form ADV for the firm receiving the referral and GFSA's separate written disclosure document.

## **Financial Information**

Registered investment advisers are required to provide clients with certain financial information or disclosures about its financial condition. Currently, GFSA has no financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients. To date, GFSA has not been the subject of any bankruptcy proceeding.